

# INDIAN CHAMBER OF COMMERCE, CALCUTTA.



## ANNUAL REPORT OF THE COMMITTEE FOR THE YEAR 1941.



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1942.





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### **Affiliated Bodies.**

1. Indian Sugar Mills Association,  
102-A, Clive Street, Calcutta.
2. Indian Chemical Manufacturers' Association,  
102-A, Clive Street, Calcutta.
3. Indian Paper Mills Association,  
102-A, Clive Street, Calcutta.
4. Indian Paint Manufacturers' Association,  
102-A, Clive Street, Calcutta.
5. Engineering Association of India,  
102-A, Clive Street, Calcutta.

In order to minimise the use of paper the Articles of Association, Bye-Laws made under Article 28, Rules framed by the Committee governing the election of Commissioners to the Port of Calcutta, and the List of Members of the Chamber have not been included in this Report.

The Standing Sub-Committee for the year 1942, remain the same as in the year 1941, for which please refer to the report of the Chamber for the year 1940.

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12. The Calcutta Hessian Exchange Ltd.  
98/2, Clive Street, Calcutta,
  13. Indian Insurance Companies' Association,  
102-A, Clive Street, Calcutta.
  14. Calcutta Tea Merchants' Association,  
102-A, Clive Street, Calcutta.
  15. Indian Tea Brokers' Association,  
C/o Aryan Planters Agency,  
3 & 4, Hare Street, Calcutta.
  16. Indian Colliery Owners' Association,  
Jharia, (Manbhum).

17. Indian Coal Merchants' Association,  
Jharia, (Manbhum).
18. Calcutta Tube Importers' Association,  
16, Raja Woodmunt Street, Calcutta.
19. Calcutta Metal Merchants' Association,  
C/o. Messrs. Daw & Co.,  
18, Raja Woodmunt Street, Calcutta.
20. Calcutta Kirana Association.  
1, Mullick Street, Calcutta.
21. Indian Produce Association,  
402-Upper Chitpore Road, Calcutta.
22. Calcutta Rice Merchants' Association,  
191, Harrison Road, Calcutta.
23. The Marwari Rice Mills Association,  
1/2, Chetla Road, Tollygunge, Calcutta.
24. Shareholders' Association,  
102-A, Clive Street, Calcutta.
25. Sindhi Merchants' Association,  
8/1, Chowringhee Lane, Calcutta.



**Presidents of the Indian Chamber of Commerce, Calcutta.**

Mr. G. D. Birla—1925-26.  
Mr. G. D. Birla—1927.  
Mr. D. P. Khaitan—1928 (Up to April 1928).  
Mr. Faizulla Gangjee—1928 (From April 1928).  
Mr. Faizulla Gangjee—1929.  
Mr. D. P. Khaitan—1930.  
Mr. S. K. Bhatler—1931.  
Mr. S. K. Bhatler—1932.  
Mr. A. L. Ojha—1933.  
Mr. A. L. Ojha—1934.  
Mr. Kanai Lal Jatia—1935.  
Mr. B. M. Birla—1936.  
Mr. Mohanlal Lalluchand Shah—1937.  
Sir A. R. Dalal, Kt.—1938.  
Mr. G. L. Mehta—1939.  
Mr. N. L. Puri—1940.  
Sir Badri Das Goenka, Kt., C. I. E.,—1941.  
Mr. R. L. Nopany—1942.

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*Secretaries.*

K. M. Purkayastha—(1925-26).  
M. P. Gandhi—(1926-36).  
S. R. Dhadda—(1936-42).  
S. J. Desai—(1942—Offg.).

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**List of Representatives of the Chamber on various  
Public Bodies as on 1-9-42.**

Bengal Legislative Assembly.

Mr. D. P. Khaitan.

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Commissioners for the Port of Calcutta.

Mr. G. L. Mehta.

---

Indian Central Jute Committee.

Mr. K. P. Goenka.

---

Consultative Committee of the  
Calcutta Electric Supply Corporation.

Mr. M. L. Shah.

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Provincial Advisory Board for War Supplies.

Mr. D. P. Khaitan.

---

Price Control Advisory Committee, Bengal.

Mr. D. P. Khaitan.

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Bengal Industrial Survey Committee.

Mr. A. L. Ojha.

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Sugar Committee of the Bengal Industrial Survey Committee.

Mr. A. L. Ojha.

---

Board of Economic Enquiry, Bengal.

Mr. M. L. Shah.

---

Unemployment Enquiry Committee of the  
Board of Economic Enquiry, Bengal.

Mr. A. L. Ojha.

---

Provincial Transport Authority, Bengal.

Mr. Pranjivan Jaitha.

---

Traffic Advisory Board.

Mr. K. M. Naik.

---

Visiting Committee of the  
Medical College Group of Hospitals.

Dr. H. Ghosh.

---

Visiting Committee of the  
Campbell Group of Hospitals.

Mr. Kassim A. Mohamed.

---

Board of Scientific Research for Bengal.

Mr. A. L. Ojha.

---

Board of Apprenticeship Training.

Mr. M. G. Bhagat.

---

Board of Management of the Government Commercial Institute.

Mr. N. L. Puri.

---

Provincial Advisory Board on  
Indian Forest Utilisation for Bengal.

Mr. P. D. Himatsingka.

---

Bengal Smoke Nuisance Commission.

Mr. M. G. Bhagat.

---

Committee of Management of the Bengal Textile  
Institute, Serampore.

Mr. B. D. Bhatler.

---

Advisory Board of the Combined Commercial Museum and  
Health Publicity Section of the Calcutta Corporation.

Mr. Kassim A. Mohamed.

---

Board of Examiners for Boiler Attendants, Bengal.

Mr. M. P. Mehta.

---

Trade Marks Advisory Committee.

Mr. M. L. Shah.

---

Committee for Establishment of a House for Indian  
Seamen at the Port of Calcutta.

Mr. G. L. Mehta.

---

Commercial Panel of the Railway Rates Advisory Committee.

1. Mr. G. L. Mehta.
  2. Mr. A. L. Ojha.
  3. Mr. D. P. Khaitan.
  4. Mr. Faizulla Gangjee.
  5. Mr. M. L. Shah.
- 

East Indian Railway Local Advisory Committee.

Lala Guru Sharan Lal.

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Bengal Nagpur Railway Local Advisory Committee.

Mr. Faizulla Gangjee.

---

Eastern Bengal Railway Local Advisory Committee.

Mr. R. L. Nopany.

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Representatives who attended the Informal Quarterly  
Meetings between the Railways and Chambers  
of Commerce at Calcutta.

28th—Sir Badridas Goenka, Kt. C.I.E.

29th—Sir Badridas Goenka, Kt. C.I.E.

30th—Mr. R. L. Nopany.

31st—Mr. R. L. Nopany.

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**Committee of the Chamber for the year 1942.**

*President.*

Mr. R. L. Nopany.

*Senior Vice-President.*

Mr. M. L. Shah.

*Vice-President.*

Mr. Durga Prasad Khaitan.

*Ordinary Members.*

Sir Badridas Goenka, Kt., C.I.E.

Mr. N. L. Puri.

„ G. L. Mehta.

„ A. L. Ojha.

„ K. L. Jatia.

„ Faizulla Gangjee.

„ L. N. Birla.

„ K. M. Naik.

„ D. C. Driver.

Dr. H. Ghosh.

Mr. D. P. Khaitan.

„ Kassim A. Mohamed.

„ K. D. Jalan.

Lala Karam Chand Thapar.

Mr. A. Duncan.

„ M. G. Bhagat.

Sir Abdul Halim Ghuznavi, Kt.

Mr. M. R. Jaipuria.

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Mr. S. R. Dhadda (*Secretary.*)

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*Proceedings of the 16th Annual General Meeting of the  
Indian Chamber of Commerce, Calcutta, held on  
the 27th February, 1942, at 4-30 p. m. at  
the premises of the Chamber.*

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The 16th Annual General Meeting of the Chamber was held on Friday, the 27th February, 1942, at 4-30 P.M. at the premises of the Chamber to transact the following business :—

- (1) To receive and adopt the report of the Committee and the Statement of Audited Accounts of the Chamber for the year 1941.
  - (2) To elect the President, Vice-President, and ordinary Members of the Committee for the year 1942.
  - (3) To confirm the election of Members of the Chamber provisionally elected by the Committee under Article 9 of the Articles of Association.
  - (4) To appoint Auditors for the year 1942.
- 

## P R E S E N T .

SIR BADRIDAS GOENKA, K.T., C.I.E. (In the Chair.)

Names.	Representatives of :—
Mr. R. L. Nopany	... Messrs. Daulatram Rawatmull.
„ D. Khaitan	... „ Calcutta Tanneries, Ltd.
„ B. M. Birla	... „ Birla Bros. Ltd.
„ D. P. Khaitan	... „ Birla Bros. Ltd.
„ G. L. Mehta	... „ Scindia Steam Navigation Co., Ltd.
„ N. L. Puri	... The Central Bank of India.
Sir A. H. Ghaznavi	... Messrs. A. H. Ghaznavi & Co.
Lala Karam Chand Thaper	„ Karam Chand Thaper & Sons.
Mr. D. C. Driver	... „ Tata Iron & Steel Co., Ltd.
„ L. N. Birla	... „ Birla Jute Manufacturing Co., Ltd.
„ K. P. Goenka	... „ Ramdutt Ramkissen Das.
„ K. L. Jatia	... „ Mahaliram Ramjeedas.

Mr. K. D. Jalan	...	Messrs. Soorajmull Nagarmull.
Dr. H. Ghosh	...	„ Standard Pharmaceutical Works, Ltd.
Mr. Kassim A. Mohamed	...	„ Kassim and Ismail.
„ M. R. Jaipuria	...	„ Anandram Gajadhar.
„ B. Kanoria	...	„ General Produce & Co.
„ J. Ojha	...	„ A. L. Ojha & Co., Ltd.
„ M. A. A. Ansari	...	The Eastern Federal Union Insurance Co., Ltd.
„ D. C. Ghose	...	Messrs. Gopalpur Tea Company.
„ N. N. Lath	...	„ Mathura Prasad Mohanlal.
„ Motilal Lath	...	„ Indian Mills Agency.
„ R. K. Bhuvalka	...	„ R. K. Bhuvalka & Co.
„ K. N. Gutgutia	...	„ K. N. Gutgutia & Co.
„ H. S. Lodhi	...	The Bengal Bus Syndicate.
Rao Bahadur D. D. Thacker	...	Rao Bahadur D. D. Thacker.
Mr. K. M. Purkayastha	...	Messrs. Aluminium Corporation of India Ltd.
„ N. N. Chhotai	...	„ Das & Co.
„ C. L. Jatia	...	„ Mahaliram Ramjidas Ltd.
„ B. P. Goenka	...	„ Ramdutt Ramkissen Das.
„ G. S. Joshi	...	„ Birla Bros. Ltd.
„ A. J. Kamdar	...	„ S. D. Shethia Co.
„ J. P. Kanoria	...	„ Ruby G. I. Co., Ltd.
„ O. N. Jajodia	...	„ Indian Stores Agency.
„ H. P. Khandelwal	...	„ H. P. Khandelwal & Co.
„ P. Chattopadhaya	...	„ Daulatram Rawatmull.
„ M. R. Bansal	...	„ Shree Hanuman Investment Co., Ltd.
„ D. D. Lohia	...	„ Senairam Doongarmall.
„ R. S. Patack	...	„ Godrej & Boyce Manufac- turing Co., Ltd.
„ Madhablal	...	„ Madhablal & Co.
„ G. Ambalal	...	„ G. Ambalal & Co.
„ S. S. Banthia	...	„ Orient Paper Mills.
„ D. Gajadhar	...	„ Rajcoomar Gajadhar & Sons Ltd.

Mr. S. Mookerjee	... Messrs. Hukumchand Jute Mills Ltd.
„ H. K. Shah	... „ Jeewanlal (1929) Ltd.
„ D. N. Mukherjee	... The Hooghly Bank Ltd.
„ Prahladrai Choudhury	The Marwari Rice Mills Association.
„ S. Ojha	... The Indian Produce Association.

*By invitation.*

Mr. A. R. Siddiqi	... The Eastern Federal Union Insurance Co.
Mr. C. S. Rungaswami	... Indian Finance.

The Secretary having read the Notice convening the Meeting, Sir Badridas Goenka in moving the adoption of the Report of the Committee and the Audited Statement of Accounts for the year 1941 delivered the following Presidential address.\*

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\*Please refer to Appendices' Section,



The resolution was seconded by Mr. D. N. Mukherji and was thereafter passed unanimously.

Mr. D. C. Driver then moved the following resolution :—

“That the provisional election of the following members made by the Committee of the Chamber under provisions of Article 9 of the Articles of Association be confirmed”.

1. Messrs. Dewanchand & Sons,  
161, Harrison Road, Calcutta.
2. Messrs. Shree Hanuman Steel Rolling Mills Co. Ltd.,  
8/A, Beniatola Lane, (Harrison Road) Calcutta.
3. Messrs. Shree Hanuman Investment Co. Ltd.,  
178, Harrison Road, Calcutta.
4. Messrs. Arya Dharma Bhandar Ltd.  
8, Royal Exchange Place, Calcutta.
5. Messrs. The Hindusthan Investment Corporation Ltd.,  
8, Royal Exchange Place, Calcutta.
6. Messrs. Bharat Produce Co. Ltd.,  
6, Royal Exchange Place, Calcutta.
7. Messrs. Bhiwani Cloth Mills Ltd.,  
8, Royal Exchange Place, Calcutta.
8. Messrs. Lister Antiseptics and Dressings Co. (1928) Ltd.,  
12, Umakanta Sen Lane, Cossipore, Calcutta.
9. Messrs. K. N. Gutgutia & Co.,  
57, Burtolla Street, Calcutta.
10. Messrs. T. M. Thakore & Co.,  
12, Dalhousie Square, East, Calcutta.

Mr. G. Basu seconded the resolution and it was passed unanimously.

Mr. R. S. Patack then moved the following resolution :—

“That Messrs. S. B. Danderkar & Co. be appointed as Honorary Auditors of the Chamber for the year 1942”.

Mr. H. P. Khandelwal seconded the resolution which was passed unanimously.

Mr. R. L. Nopany, the Incoming President, then moved a vote of thanks to Sir Badridas Goenka, the Retiring President, and in doing so made the following remarks\* :—

The vote of thanks to the chair was carried with acclamation.

The Meeting then terminated.

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*Speech delivered by Mr. R. L. Nopany, the incoming President,  
while moving a vote of thanks to Sir Badridas Goenka,  
the retiring President at the 16th Annual  
General Meeting of the Chamber,  
held on Friday the 27th  
February, 1942.*

GENTLEMEN,

Before we conclude, I have a very pleasant task to perform and it is to move a hearty vote of thanks to our retiring President. I do not want to enumerate the different activities which our retiring President had. He is a very busy man, as you know, he has to attend to his extensive business and also take part in various other political and social activities as well. In spite of all these, as you will find from the report, he has devoted a considerable part of his time to guide the work of the Chamber. The report is already in your hands and you must have seen the amount of work, the Chamber has been able to do during his Presidentship.

Gentlemen, I cannot help mentioning here one fact and that is in connection with the building of the Chamber premises. As our retiring President has said, the work in this connection was started in the year 1936, when Mr. B. M. Birla was President of this Chamber. Since then very little progress was done and it is during his Presidentship that the real work has been started. As you must have heard, the land has already been purchased and arrangements are also being made for erecting the building. Funds have been collected, although not in full but in part and I trust all of you will give your co-operation and full help very generously so that we may have our Chamber's own premises before long.

Gentlemen, I also take opportunity of thanking you most sincerely for the great honour you have done me in electing me the President of the Chamber for the coming year. That you have elected me as your President in spite of my limitations, of which I am aware, only shows your love and affection towards me. Times are very hard. War is at our door and we do not know what is going to happen in the near future. I am fully

conscious that at this time to shoulder the responsibility of the Presidentship of the Indian Chamber is not an easy task. But assured of your co-operation and help, I may be able to steer through the troubled times.

Gentlemen, I do not like to take much of the time and with these words I propose a hearty vote of thanks to our retiring President Sir Badridas Goenka and I trust all of you will accept it with acclamation.

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**REPORT**  
**INDIAN CHAMBER OF COMMERCE,**  
**CALCUTTA.**

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# INDIAN CHAMBER OF COMMERCE, CALCUTTA.

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## *Report of the Committee for the year 1941.*

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The Committee of the Indian Chamber of Commerce, Calcutta, have the honour to present to the members of the Chamber their report for the year ended 31st December, 1941, together with the Statement of Audited Accounts of the Chamber for the period. The Committee for the year 1941 were elected at the Annual General Meeting of the Chamber held on Friday, the 21st February, 1941. The following gentlemen were elected to serve on the Committee :—

*President*—Sir Badridas Goenka, Kt., C.I.E. (Messrs. Ramdutt Ramkissendas); *Senior Vice-President*—Mr. R. L. Nopany (Messrs. Daulatram Rawatmull); *Vice-President*—Mr. D. Khaitan (Messrs. Calcutta Tanneries, Ltd.); *Members*—Mr. N. L. Puri (The Central Bank of India, Ltd.); Mr. G. L. Mehta (Messrs. Scindia Steam Navigation Co., Ltd.); Mr. D. P. Khaitan (Messrs. Birla Bros. Ltd.) Mr. M. L. Shah (Messrs. Chimanlal Vadilal & Co.); Mr. A. L. Ojha (Messrs. A. L. Ojha & Co., Ltd.); Mr. K. L. Jatia (Messrs. Mahaliram Ramjeedas); Mr. Faizulla Gangjee (Messrs. F. Gangjee & Co.); Mr. L. P. Misra (The Eastern Bengal Railway); Mr. L. N. Birla (Messrs. Birla Jute Manufacturing Co., Ltd.); Mr. K. M. Naik (Messrs. National Insurance Co., Ltd.); Mr. D. C. Driver (Messrs. Tata Iron & Steel Co., Ltd.); Mr. K. D. Jalan (Messrs. Soorajmull Nagarmull); Mr. Kassim A. Mohamad (Messrs. Kassim and Ismail); Mr. M. G. Bhagat (Messrs. Bengal Potteries, Ltd.); Mr. Pranjivan Jaitha (Pranjivan Jaitha, Esq.); Mr. Y. R. Patel (Messrs. New India Assurance Co., Ltd.); Mr. M. R. Jaipuria (Messrs. Anandram Gajadhar); and Dr. H. Ghosh (Messrs. Standard Pharmaceutical Works, Ltd.)

During the year under review, there were also several vacancies in the Committee due to members having taken leave



of absence and Messrs. K. K. Birla, Soorajmul Mohta, R. W. Taylor and Kishenlall Poddar were invited to serve on the Committee for varying periods in the vacancies thus created.

The Committee had altogether 45 sittings during the course of the year. Standing Sub-Committees on various subjects *viz.* Transport, Finance, Insurance, Coal, Produce, etc., were also appointed and several meetings of the various Sub-Committees were held during the year under review. With a view to ensure a careful consideration of the various matters of importance which required closer and detailed investigation and which did not fall within the purview of any of these Standing Sub-

THE VARIOUS HEADS IS AS FOLLOWS .—

## REPRESENTATION ON PUBLIC BODIES

inquiring as to why the name of the representative of the Chamber on the Board of Management had not been included among the names of the Members of the Board. The Committee

also referred to the previous correspondence which the Chamber had with him in the year 1936 and stated that when his attention was invited at that time to a similar discrepancy, the Chamber had been asked to make a fresh nomination and accordingly Mr. N. L. Puri was nominated to represent the Chamber on the Board. The Committee regretted that in spite of the fact that the omission of the Chamber's representative's name had been brought to the notice of the Board, it still continued. The Secretary of the Board of the Institute replied on the 14th January, 1941, stating that the nomination of Mr. N. L. Puri as the representative of the Chamber on the re-constituted Board of the Government Commercial Institute, Calcutta, was duly forwarded to the Director of Public Instruction, Bengal, but due to the absence of any orders from the Government the reconstituted Board had not yet come into existence and therefore the old Board with the personnel as shown in the previous prospectus, had been functioning.

**Representation of the Chamber on the Consultative Committee of the Calcutta Electric Supply Corporation.**—It was stated on page 7 of the last Annual Report that the Committee had some correspondence with the Government of Bengal regarding representation of the Chamber on the Consultative Committee of the Calcutta Electric Supply Corporation. The Government of Bengal replied on the 25th February, 1941, stating that the object of the Committee was to form a connecting link and keep in touch the Electric Company and the consumers of electricity in Calcutta. This object, it was stated, was well served by the present Committee since there was adequate representation of trade and industrial interests on the same. The Government therefore did not feel justified in making the request proposed by the Chamber to the Electric Supply Corporation. The Committee thereupon addressed a further letter to the Government of Bengal on the 21st March, 1941, pointing out that apart from being a representative body of trade and commercial interests, the Chamber had as its members more than 100 industrial concerns in the Province which included practically all industrial concerns under Indian management and they could effectively be represented only by this Chamber. It was unfair therefore that an important body like the Chamber had been omitted from being represented on

the consultative Committee of this public utility concern. The Committee also pointed out that in the year 1938 when the Consultative Committee was enlarged by including more representatives on the same, the Corporation of Calcutta had also passed a motion recommending that the Indian Chamber of Commerce should also be represented on the Consultative Committee. The Committee requested the Government therefore to reconsider the matter.

**Bengal Smoke Nuisance Commission.**—The Government of Bengal wrote to the Chamber on the 21st May, 1941, stating that the seat of Mr. M. G. Bhagat on the Smoke Nuisance Commission had fallen vacant and the Chamber might nominate a fresh representative on the Commission. The Committee replied on the 29th May, 1941, stating that Mr. Bhagat had been out of Calcutta for sometime since June 1940, and was therefore unable to attend the meetings of the Commission and such technical breach of rules particularly when the absence was duly notified should not render the seat of the member vacant. The

On the 20th May, 1941, advising that the Visiting Committee of the Medical College Group of Hospitals would be reconstituted for the year 1941-42 and the Chamber might nominate a fresh representative on the same. The Committee decided that Dr. H. Ghose the present Representative of the Chamber on the visiting Committee might continue for another year and they informed the Government of Bengal accordingly on the 21st May, 1941.

**Traffic Advisory Board.**—Rai Bahadur Kedarnath Khandelwal having resigned from the Traffic Advisory Board, the Committee nominated Mr. K. M. Naik to represent the Chamber on the same.

**Representation of Indian Commercial Interests on the Calcutta Port Trust.**—The Committee in collaboration with the Muslim Chamber of Commerce and the Bengal National Chamber of Commerce addressed a letter to the Government

of India on the 21st January, 1941, drawing their attention to the inadequate representation of Indian commercial interests on the Board of Trustees for the Port of Calcutta. It was stated that since the time the Calcutta Port Act was enacted in 1890, conditions had greatly changed and the Indian commercial interests had now come to control a very large share in the import and export trade passing through the port. It was further stated that the European commercial interests had got a disproportionate representation on the Port Trust inasmuch as European commerce was allotted seven seats as against four to Indian commercial interests. It was essential that the number of trustees representing Indian commerce should be raised to the same number as allotted to European Commercial interests. The Chambers did not desire to suggest precisely how the increased seats should be allocated but they were of the opinion that additional representation should be given only to these three bodies without detriment to the representation at present enjoyed by them. The Chambers requested the Government to amend the Calcutta Port Act of 1890 so as to increase the representation of Indian commerce on the Port Trust and to give them statutory representation instead of at the Local Government's discretion as at present. A reply from the Government of India is awaited.

The matter was also discussed *inter alia* when the Committee met the Hon'ble Sir Andrew Clow, Communications Member of the Government of India, in August last. On the 1st November the Committee addressed a further letter to the Government of India drawing their attention to the desirability of granting adequate representation to Indian Commercial interests on the Calcutta Port Trust. The Committee pointed out that the conditions obtaining at the time of the enactment of the Calcutta Port Act in 1890 had radically changed and Indian Commercial interests had come to occupy a very large share in the import and export trade passing through the port of Calcutta. It was further pointed out that on the basis of the figures supplied by the Chamber some time back to the Government at their request it was found that no less than 30% of the total annual trade passing through the Port of Calcutta was represented by the Chamber. Still the Chamber sent only

one representative on the Port Commissioners. Apart from the broader question that the administration of important public organisations in the country like the Port Trusts must be in the hands of the nationals of the country, it was necessary, the Committee stated, even on the basis of the trade interests represented by them, that more representation should be given to Indian Commercial interests on these bodies. The Committee also drew the attention of the Government to the fact that under the Calcutta Port Act, Indian Commercial interests had no statutory representation on the Port Trust but had to depend on the pleasure of the Local Government for being selected for representation. The Committee emphasised that the Government of India should revise the Calcutta Port Act at the earliest opportunity with a view to grant adequate representation to Indian Commercial interests on the Calcutta Port Commissioners.

**Bengal Legislative Assembly.**—Mr. D. P. Khaitan continues to represent the Chamber on the same.

**Commissioners for the Port of Calcutta.**—Mr. G. L. Mehta continues to represent the Chamber on the same.

**Indian Central Jute Committee.**—Mr. K. P. Goenka continues to represent the Chamber on the same.

**Provincial Advisory Board for war Supplies.**—Mr. D. P. Khaitan continues to represent the Chamber on the same.

**Price Control Advisory Committee, Bengal.**—Mr. D. P. Khaitan continues to represent the Chamber on the same.

**Bengal Industrial Survey Committee.**—Mr. A. L. Ojha continues to represent the Chamber on the same.

**Sugar Committee of the Bengal Industrial Survey Committee.**—Mr. A. L. Ojha continues to represent the Chamber on the same.

**Home for Indian Seamen at Calcutta.**—Mr. G. L. Mehta continues to represent the Chamber on the same.

**Provincial Transport Authority.**—Mr. Pranjivan Jaitha continues to represent the Chamber on the same.

**B. N. Railway Local Advisory Committee.**—Mr. Faizulla Gangjee continues to represent the Chamber on the same.

**East Indian Railway Local Advisory Committee.**—Mr. J. P. Goenka continues to represent the Chamber on the same.

**Eastern Bengal Railway Local Advisory Committee.**—Mr. R. L. Nopany continues to represent the Chamber on the same.

**Board of Economic Enquiry, Bengal.**—Mr. M. L. Shah continues to represent the Chamber on the same.

**Unemployment Enquiry Committee of the Board of Economic Enquiry, Bengal.**—Mr. A. L. Ojha continues to represent the Chamber on the same.

**Board of Scientific Research for Bengal.**—Mr. A. L. Ojha continues to represent the Chamber on the same.

**Commercial panel of the Railway Rates Advisory Committee :—**

1. Mr. G. L. Mehta,
2. Mr. A. L. Ojha,
3. Mr. D. P. Khaitan,
4. Mr. Faizulla Gangjee,
5. Mr. M. L. Shah,

continue to represent the Chamber on the same.

**Board of Apprenticeship Training.**—Mr. M. G. Bhagat continues to represent the Chamber on the same.

**Visiting Committee of the Campbell Hospital.**—Mr. Kassim A. Mohamed continues to represent the Chamber on the same.

**Provincial Advisory Board on Indian forest Utilisation.**—Mr. P. D. Himatsingka continues to represent the Chamber on the same.

**Committee of Management of Bengal Textile Institute, Serampore.**—Mr. B. D. Bhattar continues to represent the Chamber on the same.

**Advisory Board of the Combined Commercial Museum and Health Publicity Section of the Calcutta Corporation.**—Mr. Kassim A. Mohamed continues to represent the Chamber on the same.

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## INTERVIEWS AND MEETINGS.

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**Meeting with Mr. M. H. Ismail, Indian Government Trade Commissioner at Mombasa.**—On the 6th January, 1941, the Committee met Mr. M. H. Ismail, the Indian Government Trade Commissioner at Mombasa and discussed with him various problems relating to India's export trade with East Africa. Mr. Ismail described the work of his office in East Africa for expanding Indian trade.

**Meeting with the Honourable U. Saw, Premier of Burma.**—On the 11th February, 1941, the Committee met the Honourable U. Saw, Premier of Burma at the premises of the Chamber. Various questions relating to Indo-Burma trade relationship were discussed.

**Meeting with Mr. C. S. Mullan, Commissioner of Income-tax, Bengal, and Mr. N. Dandekar, Commissioner of Income-tax, Central.**—On the 24th June 1941, the Committee along with the Members of the Committee of the Bengal National Chamber of Commerce met Mr. C. S. Mullan, Commissioner of Income-tax, Bengal, and Mr. N. Dandekar, Commissioner of Income-tax, Central, at the premises of the Chamber and discussed with them the various difficulties experienced by the Indian Commercial Community in Calcutta in the matter of Income-tax assessment. It was pointed out that the Chambers had always offered and would continue to offer their co-operation in the proper administration of the Income-tax Act and the Excess Profits Tax Act so that the Government might realise their just dues but they were also entitled to expect that the law was properly administered and the taxes were not realised either by twisting the law against the assessee or in an arbitrary manner. Mr. Mullan and Mr. Dandekar gave a very sympathetic hearing and promised to draw the attention of the Central Board of Revenue to the grievances mentioned by the two Chambers.

**Joint Meeting with Mr. J. F. Sheehy, Member, Central Board of Revenue, and Mr. C. W. Ayres, Excess Profits Tax Adviser to the Government of India.**—A Joint Meeting was held at the Premises of the Chamber on Tuesday the 9th December, 1941, between representatives of the Bengal National,

the Indian, the Muslim and the Marwari Chambers of Commerce and the Marwari Association and Mr. J. F. Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayres, C.I.E., Excess Profits Tax Adviser to the Government of India, when a Joint Memorandum detailing the various grievances of Indian, assesseees in Calcutta in respect of the manner in which the administration of Income-tax and Excess Profits Tax laws was being carried in Calcutta was presented. The Memorandum pointed out that the arbitrary methods which the Income-tax authorities had been adopting in an endeavour to collect heavy taxes from Indian assesseees, had resulted in creating acute and widespread alarm in their minds. It also referred to the resentment which Indian businessmen felt when they found that discrimination was being resorted to against them to an extent seldom witnessed before. For instance, although a greater volume of business in Calcutta was controlled by British than by Indian firms, the creation of the Central Branch in Calcutta was followed by a transfer to it of hundreds of files of Indian assesseees. Moreover, while the audited accounts of the British firms were generally accepted as correct, similar audited accounts submitted by Indian firms were looked upon with suspicion and subjected to harassing enquiries. Such a procedure the Joint Memorandum pointed out, did not only constitute a sort of a racial discrimination but was also positively humiliating to Indian assesseees. The memorandum also referred to the issue of certain circulars which were such as to appear insulting to self-respecting Indian assesseees. In addition to these methods pointed out above, an unduly heavy amount was said to be realised from Indian assesseees by various arbitrary methods.

The Memorandum made the following suggestions for expediting redress of the grievances of the assesseees : (a) All cases of companies and respectable people should be sent back from the Central Branch with instructions that they should be dealt with in the General District in exactly the same manner as in the case of Europeans, (b) Audited accounts should be treated with the utmost respect and assesseees should not be harassed by calling for Books of Account etc. and such explanations only as may be necessary for the assessment of income may be asked for, (c) No arbitrary action should be taken about



the registration of firms or about the separation or jointness of families, (d) the circulars calling for the submission of statements of Total Wealth should be withdrawn and (e) Appellate authorities should have complete independence and should enjoy the confidence of the public.

Mr. Sheehy and Mr. Ayres gave a very sympathetic hearing to the viewpoints of the Chambers in the matter and promised to issue instructions to their Departments on many of the points raised in the Memorandum.

**Meeting with Mr. M. S. A. Hydari Representative of the Government of India on the Eastern Group Supply Council.—**

The Committee met Mr. M. S. A. Hydari, C.I.E., I.C.S., Government of India's representative on the Eastern Group Supply Council at the premises of the Chamber on the 9th July, 1941, and discussed with him various matters relating to the working of the Council. Mr. Hydari gave a sympathetic hearing to the view point of the Committee and discussed in details the various points raised by the Chamber.

**Meeting with the Chief and the Financial Commissioners of Railways.—**

The Committee met Sir Leonard Wilson, the Chief Commissioner and Mr. B. M. Staig, the Financial Commissioner of Railways on the 26th July, 1941, at the premises of the Chamber and discussed with them various subjects relating to Railways, such as necessity to reduce railway freight from Port to Port, shortage of wagons, traffic delays, restrictions on booking imposed on various railways, scarcity of tank wagons for transport of oil and molasses, etc.

**Meeting with the Hon. Sir A. Ramaswami Mudaliar, Commerce Member, Government of India.—**

On the 8th August, 1941, the Committee met the Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member, Government of India, at the premises of the Chamber and discussed with him various questions such as working of the Industrial Reconstruction Committee, Petrol Rationing, Proposed price control for paper, Shipping and Shipbuilding, difficulties in obtaining machinery and technical experts, Shut-out cargo and levy of Port Commissioners' dues on the same and refusal of certain exchange banks to accept policies issued by Indian Insurance Companies.

**Meeting with the Hon. Sir Andrew Clow, Communications Member, Government of India.**—The Committee also met the Hon'ble Sir Andrew Clow, C.S.I., C.I.E., I.C.S., Communications Member, Government of India, at the premises of the Chamber on the 18th August, 1941. Questions relating to Indianisation of Port Trusts and the Higher Services under the Port Trusts, taking over the B. & N. W. Railway by the Government, closing of Branch Railway lines, etc. were discussed at the meeting.

**Meetings with the Hon. Sir Homi Modi Supply Member, Government of India.**—The Committee met the Hon'ble Sir Homi Modi, Supply Member, Government of India, at the premises of the Chamber on the 18th September, 1941, and discussed with him various questions such as the Activities of the Supply Department and Development of Industries; Indianisation of Higher Posts under the Supply Department; Difficulties under the Iron & Steel (Control of Distribution) Order and on account of requisitioning of goods; Manufacturing and Importing Activities of the Government Medical Stores Depots and Procedure for Import of Steel and Tin Plates from the United States of America.

The Committee again met the Hon'ble Sir Homi Modi, Supply Member, at the Premises of the Chamber on the 17th December, 1941. Various subjects relating to the Supply Department such as, Industrial Development and War effort, Opening of Letters of Credit in the U. S. A., Prices for goods exported from India, War Contingency clause in contracts for medical supply, Fixation of price for purchase of articles by the supply Department and Marine and War Risk Insurance for gunnies supplied to the Government, etc., were discussed at the Meeting.

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## CUSTOMS.

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**Assurance of protection to the Starch Industry after the termination of the war.**—At the instance of the Indian Starch Products Ltd. the Committee addressed a letter to the Government of India on the 18th January, 1941, urging them to assure an adequate measure of protection to the starch industry after the termination of the war. The Committee pointed out that

starch was an important ingredient in the process of manufacture in various industries and was largely used in the textile industry, paper industry and pharmaceutical and toilet articles manufacturing industry as also in the preparation of confectionary, biscuits and other sweets. The Committee pointed out that India imported starch to the extent of 3 lac 20 thousand cwts. a year from various countries before the present war. The production of indigenous starch from the factories working at present as also from those contemplated soon to work would however fully meet the demands of the country for starch. Commercial starch was mostly manufactured from maize and India produced over two million tons of maize every year and all the circumstances necessary for the manufacture of starch such as raw materials, adequate supply of labour and an assured market obtained within the country. The Committee therefore believed that if suitable encouragement was given to the Indian starch industry, it would soon expand and establish itself in a position so as to meet fully the demands of the country in this article. The Committee therefore urged that the Government of India should come forth with a definite announcement assuring an adequate measure of protection to the indigenous starch industry after the termination of the war. The Government of India replied on the 22nd April, 1941, stating that the policy of the Government in the matter of assistance to Indian industries after the war was stated by the Hon'ble Commerce Member in the Legislative Assembly in November last in the course of the debate on Sir Syed Raza Ali's Resolution regarding the Fiscal Policy of the Government of India. They further stated that it was their policy to examine the claim of any industry provided they were approached by the industry itself and with a view to enabling the Government to arrive at a finding as to the scope and needs of the industry and the part it played in the general economy of the country, certain particulars such as:— (1) present and potential output of the industry; (2) quality of product and nature and extent of the market supplied; (3) cost of manufacture giving separately the expenditure on raw material, labour, over-heads, etc., would be required to be furnished. The Government of India further stated that they were prepared to examine the question of the grant of protection after the war to the Indian starch industry

if approached by the industry itself, provided the information required was given in full. The Committee thereupon addressed a further letter to the Government of India on the 19th June, 1941, pointing out that they were aware of the statement by the Hon'ble the Commerce Member, that each industry should approach the Government and place before them their case regarding protection after the War but they felt that the same could not have been meant to be interpreted so literally and rigidly as to exclude consideration by the Government of any representation made by organised bodies of trade and industry like the Chambers of Commerce. The Committee were further of the opinion that the essential point was the consideration of the scope and needs of the industry and the part it played in the general economy of the country and the supply of complete information to the Government in order to enable them to arrive at a finding on the subject. The question as to whether the Government were approached by any specific concern or any organisation of the industry or a Chamber was according to the Committee one of secondary concern. The Committee also pointed out that the Chambers of Commerce were in a position to furnish Government with complete information and data with regard to any industry in respect of which assurance of post-war protection was sought. The Committee therefore found themselves unable to agree to the principle that the Government could not take any action on a letter from a Chamber for assurance of protection to a particular industry unless they were approached by the industry itself.

**Import of Starch into India from Burma.**—On the 7th April, 1941, the Committee addressed a telegram to the Government of India referring to the new Indo-Burma Trade Agreement and stating that they understood that the Government of India were considering the items of imports from Burma on which duties might be imposed. The Committee referred to the imports of starch from Burma and pointed out that it was mainly used in the manufacturing process in various industries. Certain textile mills in India were experiencing difficulties in getting starch owing to the high price of foreign starch and shipping difficulties and as Burma was in a position to supply the needs of the market the Committee urged the Government not to subject

starch imported from Burma to duties in the interest of smooth working of various industries.

**Desirability of imposing import duty on Burma rice.—**

At the instance of Mr. L. N. Birla, the Committee issued a circular to members inviting their suggestions in connection with the negotiations for a fresh Trade Agreement with Burma, which the Government of India had opened with the Government of Burma. The Marwari Rice Mills Association replied on the 3rd January, 1941, stating that they were in favour of imposition of an import duty on Burma rice with a view to protect the Indian rice growers and the rice trade from uneconomic competition of Burma rice. The Committee forwarded a copy of the letter to Messrs. Kasturbhai Lalbhai and M. A. Master, representatives of the Federation of Indian Chambers and to Mr. N. R. Sarker, representative of the Government of Bengal, acting as non-official advisers for the Indo-Burma Trade Negotiations.

**Publication of the Text of the Indo-Burma Trade Agreement.—**The Committee addressed a telegram to the Government of India on the 16th April, 1941, drawing their attention to the fact that the delay in publication of the full text of the Indo-Burma Trade Agreement was causing considerable inconvenience to firms and merchants having dealings with Burma. The Committee requested that the full text of the Agreement should be published at an early date. The Committee also addressed a letter to the Government of India on the 16th April, 1941, pointing out that the Indian Commercial Community were keenly interested in the Indo-Burma Trade Pact and had been awaiting since a long time to know the terms of the new pact. The Committee stated that as the Pact had already been signed, it was desirable that the Government should make the terms of the same available to the public. The Government of India replied on the 7th May, 1941, forwarding therewith a copy of the heads of Agreement reached between the delegates of India and Burma. The Government added that the heads of Agreement would be followed by a formal trade agreement in due course.

**Rice control: Government of Burma to become sole exporter of Burma's next year's crop.—**Apropos the press

message that the Government of Burma had decided to control export of next year's rice crop by themselves becoming sole exporter, the Committee addressed a telegram dated the 10th September, 1941, to the Government of India stating that the Burma Government's reported intention to become sole exporter of rice had seriously perturbed the Indian mercantile community and was causing grave anxiety as such a step would very seriously affect Indian exporters in Burma practically resulting in closure of their business. The Committee drew attention of the Government to the seriousness and importance of the matter and requested them to communicate with the Government of Burma immediately for clarification of the proposed control and to urge the latter not to take unilateral action in view of the large interests of Indian Merchants involved. The Committee also stressed that adequate time should be given to the commercial community to express their opinion before any control measures were adopted. The Government of India replied on the 17th September, 1941, stating that they were in correspondence with the Government of Burma on the subject and that the considerations mentioned in the telegram sent by the Chamber would be borne in mind during discussions with that Government.

**Difficulties experienced by importers of pearl tapioca and sago seeds from Straits Settlements.**—It was stated on page 21 of the last Annual Report that the Committee had written a letter to the Collector of Customs on the 30th November, 1940, pointing out the hardship experienced by importers due to the customs authorities serving demand notices to pay 10% of the duty as undertaken in the indemnity bond even when the importers submitted proof that the goods really belonged to Penang and Singapore. The Committee had stated that while the evidence was being considered, the importers should not be asked to fulfil the liability undertaken by them in the indemnity bonds. The Collector of Customs replied on the 30th January, 1941, stating that in order that the guarantees executed by the Importers might also be legally enforceable under the Sea Customs Act, they were followed by the preliminary demands for extra duty under section 39 of the Act pending completion of the investigation of the cases. He further stated that these demands were not enforced if the evidence

produced was eventually found to be satisfactory, when the demands were withdrawn and the guarantees discharged as had recently been done in a number of cases.

**Change in the system of distribution of freight for exports of rice to Mauritius.**—The attention of the Committee having been drawn to the proposed alteration of the system of distribution of freight for rice exports to Mauritius by allotment of freight quotas to importers in Mauritius instead of their distribution as at present to exporters in India, a telegram dated the 13th June, 1941, was addressed to the Government of India and the Mauritius Government pointing out that the proposed system would be greatly detrimental to and dislocate Indian rice trade with the Colony and would deprive the Indian exporters of their right to ship and participate in the trade with Mauritius which they had developed over several decades. The Mauritius Government replied on the 27th June, 1941, stating that while they were willing to conduct importation of rice through the usual trade channels so long as these were satisfactory they desired to ensure that individual importers received the amount for which licences had been issued to them so as to provide adequate supplies for the Colony. They further stated that the only means of penalising importers who failed to import full licenced quantity was to reduce their licenced quantity for the following year and allot balance to those importing full licenced quantities. Under the circumstances they thought that it was essential that some elasticity in the basis of allotment of freight must be provided for. The Government of India however replied on the 7th July, 1941, stating that the question was one which really related to the grant of import licences for rice by the Mauritius Government and was therefore entirely for the Colonial Government to decide.

**Transactions in export and internal Consumption quota for tea.**—Hearing that the Indian Tea Association had recommended to their members that all Agency Houses and Proprietary Interests should conduct all their business in the purchasing and selling of export and internal consumption quotas only through brokers who were members of the Calcutta Tea Brokers Association, the Committee addressed a letter dated the 15th May, 1941, to the Association pointing out that there was no justi-

fication for such a recommendation, which was unfair to the Indian dealers. They pointed out that the Indian brokers had organised the present quota market after the passing of the Indian Tea Control Act, 1933. The Committee further stated that it was obvious that the export prices of tea were determined by international factors of demand and supply and that the internal market operations in respect of a very small percentage of total exports had practically no effect on the prices. The Indian Tea Association replied on the 3rd July, 1941, stating that their recommendation regarding conducting transactions in export and internal consumption quota through the members of the Calcutta Tea Brokers Association only had been withdrawn.

**Export of Jute Cuttings.**—The Collector of Customs wrote to the Chamber on the 3rd March, 1941, stating that the rate of export duty for jute cuttings was Rs. 1-4 per bale of 400 lbs. while the rate of export duty on all other descriptions of raw jute was Rs. 4-8 per bale. He stated that this disparity in duty had unfortunately led to malpractices and recently a shipper was convicted on that account. He stated that it had become necessary for the Customs Department therefore to take certain precautions in regard to shipment of goods described as jute cuttings and as the same would cause some inconvenience to the shippers, he felt that it was desirable that an easily workable and authoritative definition of jute cuttings should be arrived at. He invited the Chamber to forward suggestions in this connection. The Committee addressed a letter to the Collector of Customs on the 4th April, 1941, stating that jute cuttings might be described as portions of jute generally cut from the root ends of the fibre and also some times from the top side, in the process of preparing and classifying jute according to different qualities. Apart from these, cuttings were also obtained in the process of trimming and bringing up the quality of the rest of the jute. This type of cuttings when available were mixed with the root cuttings and one of the methods by which they could be distinguished was that they always gave an appearance of having been cut by means of a sharp instrument. The Committee further stated that there was a broad distinction between cuttings and jute and that was in the mode of packing. While loose jute fibres were hackled and twisted and then pressed



into bales, in the case of jute cuttings these were thrown together, jumbled up and pressed into bales. Regarding the length of the jute cuttings, the Committee pointed out that the term 'cuttings' embraced such a variety of grades and distinctions and the characteristics and the standard varied to such an extent that the classification was not easy, particularly as regards determining as to what length of the fibre could be regarded as the maximum for these cuttings. The length of the jute cuttings varied from two inches upto thirty-six inches, although generally the variance might be put between 2 and 24 inches. As regards the limits of prices, the Committee stated that these varied considerably from time to time according to the demand and supply position and also according to the quality of the jute from which they were cut and it was very difficult to fix any limits of prices.

**Jute shipment to the United Kingdom.**—The Committee having been informed that the Shipping Representative of His Majesty's Ministry of Supply in India had received instructions from the Ministry of Supply that consignments of jute in respect of un-shipped sales made prior to the end of the year 1940 should be shipped before any further freight space was allocated for contracts entered into in 1941, they addressed a telegram and a letter dated the 15th and 16th July, 1941, to the Government of India pointing out that in September last owing to shortage of shipping space a procedure was agreed upon between representatives of the shippers in Calcutta and the Calcutta Liners' Conference in consultation with the Shipping Controller that shipping space "will be granted to individual shippers in strict proportion to their average annual percentage shares of the total export trade to the United Kingdom for the period of the two seasons prior to the outbreak of war". The Committee further stated that this decision was reiterated by the Calcutta Liners' Conference in their subsequent correspondence with the Calcutta Baled Jute Association and that this procedure has been in force since then without any trouble whatsoever. Moreover the Committee learnt that the shipping representative of the Ministry in India had himself informed the Ministry that the carrying out of the instructions of the Ministry would mean a serious departure from the system of allocating space on the basis of shippers' average shipment for the 2 years preceding the war, which had been

approved of by all concerned in Calcutta as the fairest and simplest method. The Committee found it strange that in spite of this the Ministry of Supply had refused to alter their instructions.

The Committee further pointed out that it was obvious that the Ministry of Supply were acting under pressure from the Dundee Spinners who wanted to get jute which they had purchased at lower prices during 1940. In view of the decision of the Ministry of Supply being unfair and detrimental to the interests of trade in general and the shippers in particular of India, the Committee strongly urged the Government of India to represent the matter immediately to the British Government and get the inequity set right and the previous procedure restored. A telegram dated the 16th July, 1941, was also addressed to the Ministry of Supply in London.

**Difficulties experienced in importing machinery and machine tools from abroad.**—The Committee addressed a letter dated the 27th September, 1941, to the Government of India on the subject pointing out the difficulties experienced by members on account of the delay in getting priority certificates for import of machinery from United Kingdom or America. In certain cases even after the issue of these priority certificates the authorities in the United Kingdom demanded further certificates from the Director General of Munitions Production in India to the effect that the factory or the firm concerned was engaged in war work. It was stressed by the Committee that in times like the present when the markets were uncertain a delay of 5 to 6 months which occurred in getting certificates would place importers in a difficult position and, therefore, the issue of priority certificates should not be delayed and when once such priority certificates were issued by the Commerce Department there should be no necessity of further certificate from the Director General of Munitions Production. The Committee suggested that the Government should inform the United Kingdom or the United States of America authorities that the Commerce Department issued the certificates after making all due enquiries and, therefore, there was no reason to demand any further certificate from another department. The Committee further suggested that a simplified procedure should be evolved for granting import

certificates to facilitate import of essential articles and avoid unnecessary difficulties and duplication of work which importers had to undergo at present. Prior to addressing this letter the Committee had also discussed the question personally with the Hon'ble Sir Homi Modi, Supply Member to the Government of India, when he met the Committee on the 18th September, 1941.

**Reduction of Import Duty on Wheat.**—Learning that the Government of India had decided to reduce the Import Duty on wheat from Rs. 1/8/- per cwt. to As. -/2/- per cwt., the Committee addressed a communication dated the 17th October, 1941, to the Government of India pointing out that during the last Great War the prices of wheat had gone up as high as Rs. 7/- per maund, but in the present war wheat prices had not risen to that level, and, therefore, the reduction of import duty to As. -/2/- per cwt. was not justified. Apart from this, in view of the rising cost of the various necessities of life, the agriculturist was entitled to a reasonable return for his labour and the present prices should not, therefore, be considered to be too high. It was further pointed out that the Government could have foreseen the effects of allowing exports of wheat to the Middle East on the wheat position in this country and instead of reducing import duty on wheat for bringing about imports from Australia, they could well have arranged for export of wheat direct to the middle East from Australia.

**Bar of High Court Jurisdiction in Revenue matters.**—The Committee addressed a letter dated the 17th October, 1941, to the Government of India requesting them to introduce a Bill in the Central Legislature to amend section 226 of the Government of India Act and section 188 of the Sea Customs Act so as to establish the principle of redress in the High Courts in customs matters. At present an appeal against the orders of an officer of Customs lies before the Chief Customs-authority or an officer not below the rank of a Customs Collector whose orders in appeal are final except that the Central Government may revise his decision if they think it fit to do so. Section 226 of the Government of India Act lays down that until otherwise provided by an Act of appropriate Legislature, no High Court shall have any original jurisdiction in any matter concerning the revenue or concerning any act ordered or done in the collection thereof. As

the principle of redress in the High Courts in matters pertaining to revenue would prove very helpful to the business community, the Committee requested the Government of India to undertake suitable legislation in the matter at an early date. A reply dated the 30th October, 1941, was received from the Government that they would give due consideration to the question after the termination of the war.

**Necessity to prohibit exports and re-exports of raw silk from India.**—At the instance of the Association of Indian Industries, Bombay the Committee addressed a letter dated the 4th November, 1941, to the Government of India pointing out that on account of the large demand from some of the neighbouring markets for raw silk yarn at attractive prices there was a likelihood of the articles being exported from India in appreciable quantities. Such exports, however, the Committee stated, would place the Indian silk throwing and weaving Industry to considerable difficulties as the Industry would be deprived of its necessary raw materials. The present stock in the country of raw silk, the Committee point out, was hardly sufficient to meet the requirements of the Indian Industry. The Committee, therefore, suggested that the Government should immediately prohibit exports and re-exports of raw silk from India. As such an embargo by itself, however, would not suffice to serve the purpose in view, the Committee further requested the Government also to prohibit exports of raw silk yarn from the country.

**Appointment of an Australian Trade Committee to adjust difficulties and problems arising in relation to trade.**—The Export Development Group of Sydney Chamber of Commerce wrote to the Chamber suggesting that Committees formed within Chambers of Commerce over-seas and comprising of members participating or interested in Australian trade should help materially in adjusting difficulties and problems which might arise on the side of importers in regard to trade with Australia. The Committee accepted the suggestion and accordingly decided to form an Australian Trade Committee consisting of members participating or interested in trade with Australia both import and export.

**Proposal to raise duty on Kerosene.**—On the publication of an Associated Press message that in view of the lower duty

on kerosene offering inducement to car owners for mixing petrol with kerosene, the Government might take action to equalise the duty on kerosene to that on petrol, in order to prevent ration dodging, the Committee addressed a letter to the Government of India on the 8th October, 1941, pointing out that kerosene was an important article of domestic consumption particularly for the poorer sections of the community and such an increase would cause considerable hardship to the masses. The Committee also stated that the use of kerosene as a partial substitute for motor-spirit was a harmful practice sufficient by itself to exercise a check on any widespread use of kerosene for such a purpose. They therefore requested the Government to remove the misgivings in the minds of the public on this matter by issuing a press note on the subject. The Government of India replied on the 29th November, 1941, stating that the Associated Press message referred to by the Chamber was published without authority.

**Shut-out Cargo—Levy of Port Commissioners' Charges on the same.**—The Committee addressed a letter on the 2nd April, 1941, to the Government of India suggesting that in cases where export cargoes brought down to the docks for shipment were detained owing to Government requisitioning the steamer, the Government should either ask the Port Commissioners not to levy any charges on the goods so detained or should arrange to pay the relative bills themselves. The Government of India replied on the 30th May, 1941, stating that the Calcutta Port Commissioners, who were consulted in the matter, had expressed their inability to accede to Government's request for waiving the rent charges in such cases. A further letter dated the 5th July, 1941, was thereupon addressed by the Committee to the Government pointing out that if the Port Commissioners could not waive these charges it was obviously for the Government to meet the same as neither the shippers nor the shipping companies concerned could in any way be considered to be responsible for the detention of such cargo. The matter was further discussed when the Committee met the Hon'ble the Commerce Member on the 8th August, 1941. Referring to the discussion at the meeting, the Committee addressed a letter to the Hon'ble Member requesting the Government to address the Calcutta Port Commissioners

further on the subject so that the additional charges levied by them may be waived.

The Government of India replied on the 10th December, 1941, stating that they were unable to accept the contention of the Chamber that the Government should meet the rent charges in case the Port Commissioners refused to waive them.

**Levy of town duty on imports of vegetable products into the city of Bombay.**—The attention of the Committee having been drawn to the fact that the Bombay Municipal Corporation levied an octroi duty of As. 10 per qr. weight on ghee substitutes (of whatever composition) which were not pure ghee but which resembled pure ghee and were capable of being used as substitutes for pure ghee, they addressed a letter on the 23rd September, 1941, to the Corporation stating that the imposition of such a duty on vegetable products was detrimental to the growth of the vegetable products industry in this country. The Committee pointed out that the town duty hampered the growth of free trade amongst various provinces and that if provincial governments or municipalitles began to impose provincial or town duties on imports of products manufactured outside their jurisdiction it would prove very difficult for articles to move from one province to another, and consequently development of trade would be considerably restricted. The Committee pointed out that this duty resulted in discrimination against the products of factories situated outside Bombay. They further stated that no such town duty on vegetable products was imposed in Calcutta and it was, therefore, unfair that while the factories at bombay and at other places were allowed freely to compete with local manufacturers in the Calcutta market, the latter were not allowed to compete on equal terms with the manufacturers in the city of Bombay. They, therefore, requested the Bombay Corporation to kindly take necessary steps to have the town duty on vegetable products in Bombay removed as early as possible as the duty resulted in an undesirable discrimination against other Indian manufacturers.

**Levy of Import Duty on Vegetable Products into Ceylon.**—The attention of the Committee having been drawn to the fact that the import duty on vegetable products imposed by the Ceylon Government had been raised to Rs. 20/- per cwt.,

they addressed a letter dated the 4th December, 1941, to the Government of India, Department of Commerce stating that this increase in import duty amounting to 100% was likely to place Indian vegetable Ghee Manufacturers exporting their products to Ceylon, to considerable disadvantage. As a matter of fact, they pointed out, it was bound to prove prohibitive and stop imports of this article into Ceylon. The Committee pointed out that a large number of articles from Ceylon were being exported to the Indian Market where they enjoyed preference. They further stated that the vegetable Ghee Manufacturing Industry in India was a new Industry, and although there was a sufficiently large internal market, it would take some time before the public in the country took to this article. The loss of an important neighbouring Market like Ceylon, at this stage therefore, the Committee stated, would hamper considerably the growth of this indigenous industry.

The Committee also pointed out that the imposition of this additional duty would raise the price of a cheap cooking medium for the middle and poorer classes in Ceylon, and requested the Government of India to represent the matter to the Government of Ceylon, so that the import duty on the vegetable products might be reduced to its original level.

**Extension of the International Sugar Agreement, 1937.**—Article 16 of the International Sugar Agreement, 1937, prohibits exports of Indian Sugar by sea elsewhere than to Burma. The Agreement was signed for a period of five years and its present term is due to expire on the 31st August, 1942. Article 15 (B) of the Agreement lays down that the contracting Governments shall decide atleast six months before date of expiry of the existing agreement whether it shall continue for a further period and if so on what terms. The International Sugar Council at London recently considered the question of extension of the Agreement and recommended to the contracting Governments that the Agreement be continued (a) either for the duration of the hostilities and for one clear quota year after the termination of hostilities, or (b) for a period of two years from 31st August, 1942, whichever is less.

The views of the Indian Sugar Mills Association, which is affiliated to the Chamber having been invited in the matter

by the Government of India through the Provincial Government, the Committee addressed a detailed communication on the 2nd January, 1942, to the Government of India, at their instance, stating that they had always opposed the terms of the Agreement ever since its inception as being manifestly unfair and prejudicial to the Indian sugar industry. The Committee further referred to the fact that the Agreement was entered into against strong opposition from the sugar interests of the country and was ratified by the Government of India in total disregard of Indian public opinion as was evident from the fact that the Central Legislative Assembly had voted against its ratification. The Committee further expressed themselves strongly opposed to the recommendation of the International Sugar Council at London for the continuation of the Agreement and requested the Government of India to formally terminate the Agreement forthwith even as most of the signatories to the Agreement were now belligerent countries and some of them had lost their integrity and the Agreement therefore had legally and in fact ceased to exist.

**Refund of Duty charged on Commercial Packings.**—At the instance of Messrs. International Lubricants, Ltd., the Committee addressed a letter to the Collector of Customs on the 9th June, 1941, pointing out that recently in assessing a consignment imported by this Firm the Customs Authorities had charged duty on the value of steel drums containing lubricating oil on the plea that the value of the same was shown separately in the Invoice. The Committee pointed out that steel drums were ordinary “commercial packings” without which oil could not be imported and as such the same were not liable to any duty. After meeting the various points raised by the Customs Authorities in their correspondence with the Firm, the Committee had suggested that the excess duty charged to the Firm may be refunded. The Collector of Customs replied on the 26th June, 1941, stating that he could not at this stage enter into discussion regarding the claim of Messrs. International Lubricants, Ltd. since it was still open to them to appeal against his orders to the Central Board of Revenue and to this extent the matter could be regarded as *subjudice*. He further stated that if the Company were prepared to say that



they did not intend to appeal, he would be glad to give his views regarding the merits of the case. The Committee thereupon further wrote to the Collector of Customs, pointing out that they had not asked for an expression of views on the subject but they had requested the Collector to consider the matter as the claim of the Firm for refund seemed to be justified. Moreover, the Committee pointed out, that if the Collector of Customs felt that the case was *subjudice* pending the right of appeal and no opinion could be expressed thereon, it would be very difficult for the Chamber to take up matters with the Customs Authorities as in each case it would be found so. The Committee therefore requested the Collector of Customs to reconsider the matter. The Collector of Customs replied on the 31st July, 1941, regretting that he could not alter the decision previously arrived at.

**Desirability of imposing an import duty on Japanese Electric lamps.**—The Federation of Indian Chambers of Commerce and Industry wrote to the Chamber on the 19th August, 1940, stating that the Committee of the Federation had decided that further efforts should be made to collect information regarding difficulties and handicaps under which some of the minor industries had been labouring. The purpose of the present enquiry, it was stated, was to collect information regarding these industries and to ascertain their difficulties with a view to find out if some kind of relief could be obtained for them from the Government. Accordingly a circular was issued to members of the Chamber and Messrs. Oriental Mercantile Co., Ltd. replied forwarding a letter that they had received from the Bengal Electric Lamp Works, Ltd. of which they were the selling agents. Messrs. Bengal Electric Lamp Works had stated in their letter that they could not even obtain raw materials at the cost at which Japan supplied finished lamps. They further stated that Japanese raw materials for lamps were more costly than the finished lamps sold in India and that they had approached the Government of India for protection through the Bengal National Chamber of Commerce in 1937 but the Government then thought that the situation would improve due to the Sino-Japanese war. The Bengal Electric Lamp Works suggested that an import duty of 50% should be

levied on all Japanese lamps or if that was not possible a quota of 3 lac lamps a year should be fixed. The Chamber forwarded the information to the Federation on the 11th January, 1941, and requested them to take up the same with the Government of India.

**Fixation of Tariff Values for articles on which cess is leviable under the Agricultural Produce Cess Act, 1940.—**

The Director General of Commercial Intelligence and Statistics wrote to the Chamber on the 23rd December, 1940, stating that the Government of India were considering the question of fixing tariff values for articles on which cess was leviable under the Agricultural Produce Cess Act, 1940. He further stated that it would be difficult to fix different tariff values for different grades or qualities of the same article unless the grades varied considerably in value and could be easily distinguished. To avoid these difficulties he felt, it was essential that tariff values were fixed for the commoner types of commodities, which, if necessary, could be divided conveniently into few distinctive grades or classes. The Chamber's suggestions were invited in the matter. The Director General further wrote to the Chamber in this connection stating that he would be glad to meet the representatives of the Chamber along with those of other bodies to discuss the matter on the 13th February, 1941. Accordingly Mr. K. L. Jatia and the Assistant Secretary attended the conference on behalf of the Chamber. Mr. K. L. Jatia pointed out that the Chamber had carefully considered the proposal to fix tariff values but owing to the uncertain times prevailing at present due to which wide fluctuations occurred in the prices of commodities, the Chamber were opposed to the proposal. He further stated that once the tariff values were fixed, the Government were not likely to revise them for a year and within this period wide fluctuations would naturally occur in the prices of various commodities and that might operate in a manner prejudicial to the exporter. The Director General of Commercial Intelligence and Statistics further wrote to the Chamber on the 15th April, 1941, forwarding copies of the schedule of provisional tariff values fixed for articles liable to cess under the Agricultural Produce Cess Act. He stated that the provisional rates would be discussed with the representatives of the various Chambers

on the 19th May, 1941. A conference of the representatives of the various Chambers of Commerce was accordingly held to discuss the provisional tariff values with the Director General of Commercial Intelligence. Mr. K. L. Jatia accompanied by the Assistant Secretary attended the Conference on behalf of the Chamber.

**Annual Revision of Tariff values.**—The Director-General of Commercial Intelligence & Statistics, convened a meeting of the representatives of various commercial bodies on the 10th, November, 1941, for discussing the Provisional Tariff Values for the year 1942. The Provisional Schedule was previously sent to the Chamber and the same was circulated to interested members. Several members had replied submitting their views on the Provisional Tariff values. It was pointed out at the joint Meeting, on behalf of the Chamber, that the provisional tariff values for Cassava, Cloves and Black Pepper were high and should be decreased. It was also suggested that the Tariff values for betelnuts whole and split, and Damar Batu, should not be increased but kept the same as they were. A suggestion was further made by the Chamber that the provisional tariff values for Caustic Soda Powder, Caustic Soda Solid, Soda Ash and Sodium Bicarbonate laid down in the Schedule, did not show a sufficient increase and the same should therefore be further increased in accordance with the rise in market prices of these articles.

**Issue of delivery orders for inward cargo against Bank's or any other letter of guarantee.**—The Committee having been informed that the Calcutta Agents of the American President Lines Ltd. had issued a circular that their principals had instructed them to notify that on and after the 15th July, 1941, they would be unable to issue delivery orders for inward cargo against Bank's or any form of letter of guarantee in lieu of production of original bill of lading, they addressed a letter to the Calcutta Agents of the American President Lines Ltd., pointing out that due to the present uncertain times it took a long time for the documents to reach the importers and very often these were received long after the arrival of the vessels carrying the goods. The system of delivery of goods through Bank's or any other form of guarantee accorded many advantages

to the importer and it was therefore suggested that the matter be reconsidered and that the existing system be continued. A reply from the Calcutta agents of the American President Lines was received stating that on receipt of Chamber's letter they had taken up the matter with their Principals and the latter had cabled them that their previous instructions not to issue delivery orders for inward cargo against letters of Guarantee had been rescinded.

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## PUBLIC AFFAIRS.

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**Price Control Conference.**—On the 16th October, 1941, the Government of India convened a Conference of representatives of Provincial Governments and Indian States at Delhi to consider the question of Control of Prices charged by manufacturers and wholesale dealers with special reference to foodgrains, cotton yarn and piecegoods. Being invited to submit their views in this connection, the Committee in course of a communication dated the 9th October, 1941, pointed out to the Government that the country's problem at present, particularly as regards cotton yarn and piecegoods, was essentially one of increase in production rather than of imposing price restrictions which would only result in further curtailment of production. The Committee stated that for some time past there had been a heavy demand for Indian yarn and piecegoods arising from the requirements of the Government of India for defence services as also of other Eastern Group Countries and neighbouring markets. Although the demand had thus increased, the supplies of yarn and cotton piecegoods had been curtailed due to reduction in imports from the United Kingdom and Japan. The Committee pointed out that this shortage could be met by the Government adopting measures to increase production such as by making the mills work all the 24 hours and all days of the week. The Committee further suggested that the Government should assist in the increased use of short staple cotton by Indian mills by readjusting the specifications of their requirements to short and medium staple manufactures. Whereas the prices of the cheaper qualities of

cotton cloth, the "popular sorts", would thus come down it was not necessary for the Government to take action to control the prices of piecegoods of finer counts which were being consumed by a class of people who could afford to pay slightly higher prices.

As regards foodgrains, the Committee pointed out that Government control of prices at the present stage would depreciate the value of the stocks now lying with the cultivators after the harvesting of the *Khariff* crop as also affect the prices of *Rabi* crop due to be harvested after April next. The Committee invited the attention of the Government to the fundamental economic proposition that heavy taxation and high prices went together.

**Fixation of maximum prices of wheat in the U. P. wheat markets particularly at Hapur.**—The Committee addressed a communication on the 11th September, 1941, to the U. P. Government drawing their attention to the serious situation which had developed in the U. P. wheat markets, particularly at Hapur, following the fixation of the maximum prices of wheat by the Government of U. P. without any such control being exercised in centres outside the province. The disparity between the official prices of wheat at Hapur which had been fixed at Rs. 4/- and the market prices at other centres; it was pointed out, had caused severe hardship to dealers especially with regard to commitments entered into prior to the fixation of maximum prices. It was further stated that the prices in the Punjab market, which used to be 2 to 4 annas lower than the Hapur prices, were at present 5 to 6 annas higher—even in Bengal, where prices were controlled, price had gone up from Rs. 5/2/- to Rs. 5/8/-. The Committee, therefore, requested the Government of U. P. to bring the price of wheat in Hapur market in conformity with prices at other centres. They further expressed the opinion that while controlling prices of particular commodities, it was desirable that the Provincial Governments kept in view the repercussions of any isolated action in other centres and provinces in the country.

**Necessity to Revise the Maximum Selling Rate of Salt.**—At the instance of Mr. Kassim A. Mohamed, the Committee addressed a letter on the 28th January, 1941, to the Chief

Controller of Prices, Bengal, drawing his attention to the circumstances which, in the opinion of the Chamber, necessitated an immediate revision of the selling rates of salt. The Committee pointed out that on the 29th September, 1939, the price of salt was fixed at Rs. 107/- per 100 maunds but was subsequently reduced to Rs. 98/- on the 16th October, 1939, the freight rate at that time being Rs. 15/- per ton, that is, about Rs. 55/- per 100 maunds. Since then the freight rate had increased by Rs. 7/- per ton, that is, had gone upto Rs. 81/- per 100 maunds. The Committee pointed out that in the case of Aden and Western India salt war risk insurance had also risen from 2% to 5% and  $\frac{1}{2}$ % to  $1\frac{1}{2}$ % respectively and it was understood that a further charge of  $\frac{1}{4}$ % had been levied on all cargoes from Aden. It was pointed out that as freight constituted a major portion of the replacement expenses and as insurance rates had gone up, a compensatory increase in the controlled rate of ex-ship salt was necessitated and the price of Gola salt should also be correspondingly fixed. The Committee further pointed out that it was not reasonable that while the rates of the controlled salts had been fixed, some other varieties of salt had been entirely exempted. This position, it was stated, was bound to prove considerably detrimental to the controlled qualities and it was necessary therefore that all salts should be controlled without discrimination. The Government of Bengal by their Press Note dated the 29th January, 1941, fixed the maximum price for Aden and Indian Salts at Rs. 110/- per 100 maunds ex-ship and Rs. 115/- per 100 maunds ex-gola. The Committee thereupon addressed a further letter on the 3rd February, 1941, to the Controller of Prices pointing out that the difference between the ex-ship and ex-gola prices was very low and it should have been at least Rs. 11/- as was pointed out by the Committee in their previous letter. It was further stated that the maximum price fixed at Rs. 110/- was inadequate as the freight rate had further gone up and the steamer owners were now demanding Rs. 24/- per ton equivalent to Rs. 88/- per 100 maunds. It was also pointed out that the maximum price of Rs. 110/- was not sufficient to ensure adequate stocks of salt being maintained for consumption in the Province. The Committee were of the opinion that the maximum price should therefore be further increased. The Committee also regretted to

note that foreign salts had not been controlled. The Chief Controller of Prices in reply forwarded to the Chamber a copy of the Government Press Note dated the 6th February, 1941, which raised the price of salt ex-gola to Rs. 117/-, while the ex-ship price was retained at Rs. 110/-. Subsequently a further Notification was issued on the 17th March, 1941, fixing the price of all salts at Rs. 127/- for 100 maunds ex-ship and Rs. 134/- for 100 maunds ex-gola. These rates were further raised to Rs. 150/- and Rs. 157/- respectively on the 18th April, 1941.

**Maximum Prices for Controlled medicines and European Firms being allowed to charge 10% extra.**—The Committee addressed a letter to the Chief controller of Prices protesting against the note appended to the consolidated list of maximum prices for medicines and medical supplies published by the Chief controller which permitted European firms to charge 10% extra on the prices of each item fixed by the Controller and requested for its withdrawal as such discrimination between one class of firms and another was highly objectionable in principle. The Assistant Controller of Prices replied on the 30th July, 1941, that it had been done on the recommendation of the Price Control Advisory Committee and it did not involve any discrimination against Indian firms. He further stated that this had been allowed for a year and half and was working well. The Committee therefore addressed a further letter to the Chief Controller of Prices on the 11th October, 1941, pointing out that the representative of the Chamber who was present in the meeting of the Price Control Advisory Committee, referred to by the Assistant Controller, had actually opposed the proposal along with others to allow 10% extra to European firms over the maximum prices. The Committee reiterated the desirability of the withdrawal of the Note on the printed list as it was not only objectionable in principle but also *ultravires* of the provisions of the Government of India Act.

**Maximum prices of Matches.**—In view of the further increase in the cost of manufacture of matches since the fixation of maximum match prices in March last, the Committee urged the Chief Controller of Prices, Bengal, to raise the maximum prices of matches. It was suggested that for 80 sticks matches the maximum prices should be Rs. 5/13/- per gross which would

restore the old proportion of whole-sale to retail prices. The present maximum prices, it was stated, did not allow even the legitimate profits to the manufacturers and with the rising cost of production, the latter were facing actual losses. Moreover the uniform prices fixed all over Bengal did not take into account the cost of transportation etc., which varied with the distance of the factories from the market. The present prices did not leave any margin to cover these extra costs, and the Government were, therefore, requested to raise the same as mentioned above.

**Maximum Prices of Gunnies Exported to U. S. A.**—The Committee having learnt that the Government of India were considering the question of fixing maximum prices for gunnies exported to U. S. A. in order to help the American Government to maintain the maximum selling prices for gunnies which they had fixed in that country, they made a strong representation on the 18th October, 1941, to the Government of India opposing the move. It was pointed out that in the interests of the industries and the ultimate consumer in America, the American Government had fixed maximum prices for the sale of hessian in that country with effect from the 16th August. The American authorities, it was stated, had referred in this connection to the “wholly unjustifiable increase in the margin between what importers pay for hessian and what they sell it for” in America. The Committee stated that while they had nothing to say against the action taken by the American Government to control prices of hessian in that country in the interests of the American industries and consumers, they did not see any reason why the Government of India should fix maximum prices of an export commodity in this country for the benefit of American buyers and at the cost of the Indian trading interests and the large number of jute growers. The Committee further stated that moreover the maximum prices fixed by the American Government were approximately 15% above the prices prevalent in the Calcutta market and the Committee therefore felt that no action was called for on behalf of the Government of India. Fixing of maximum prices for hessian would, the Committee further stated, be very detrimental to the interests of the large mass of jute growers also, as it would be necessary for maximum prices of raw jute also to be fixed. The Committee, therefore, strongly opposed any action on the



part of the Government of India for fixing maximum prices for hessian.

**Prices allowed by the Government for various sizes of copper rods requisitioned.**—It was stated on page 47 of the last Annual Report that the Committee had addressed a letter to the Government of India pointing out that the prices fixed by the Department of Supply for the articles mentioned in the requisition served on certain metal merchants were very low and would put them to considerable losses. The Controller of Supplies, Bengal Circle, replied on the 7th January, 1941, stating that he would be glad to discuss the matter personally with the representatives of the dealers and the Chamber may suggest the names of the gentlemen who would like to be present at the discussion and the time and date that would suit them. The representatives of the dealers accompanied by the Assistant Secretary accordingly saw the Controller of Supplies on the 23rd January, 1941, and discussed the matter with him.

The Calcutta Metal Merchants Association further wrote to the Chamber on the 28th January, 1941, stating that before the war the dealers usually worked on a profit of 25% and it would be very difficult for them to work on a profit of 5% now allowed by the Supply Department especially in view of the various uncertain factors prevalent in the market. They drew attention to the Government of India notification regarding price control in which the Government had allowed a profit of not more than 10% above the cost to the dealers. They requested the Chamber to take up the matter further with the Government so that a reasonable margin of profit might be allowed to the dealers. The Committee thereupon addressed a detailed Communication to the Government of India emphasising the necessity of allowing a reasonable margin of profit to the dealers, especially in view of the various uncertain factors prevailing in the market.

**Difficulties experienced by factories in obtaining raw materials.**—At the instance of Messrs. Mantri Machinery Factory Ltd., the Committee addressed a letter to the Director General of Munitions Production on the 9th July, 1941, drawing his attention to the difficulties experienced by the factory in obtaining raw materials. The Committee stated that the factory had an up to

date machinery for the production of various sizes of bolts, nuts and rivets on a large scale but were unable to utilise their capacity fully for want of raw materials. The Government of India were purchasing sufficient quantities of these articles and the Factory had also received a few orders from the Government but they were not able to comply with Government's enquiries as the market prices of some of the raw materials were very high and it was not practicable for them to buy these articles at such high prices and compete successfully for Government orders. It was pointed out that if raw materials were not made available to the Factory it had no other alternative but to close down. The Committee requested the Director-General to look into the matter and take necessary action to see that an engineering factory with up to date machinery was not closed down in this manner, especially at the present time.

**Import Restrictions.**—The Committee addressed a letter on the 9th July, 1941, to the Government of India with reference to their notification No. 40-I.T.C./41 placing additional items under import restrictions. It was stated that while it might have been found necessary to impose such restrictions on imports in order to conserve the Dollar resources the Government might usefully consult commercial bodies before placing such articles under the import restrictions scheme, as a sudden stoppage of articles, many of which were used in the process of manufacture, placed the industries to considerable inconvenience. The Committee also suggested that it should be seen that bonafide manufacturers importing articles for use in the manufacturing process got licences to import the same.

The Government of India replied inviting attention to their Press Note published on 17th June, 1941, and stating that the Chief Controller (Imports), New Delhi would carefully bear in mind the suggestions made by the Chamber. The Press Note referred to mentioned the decision of the Government to set up an organisation under the Chief Controller of imports to decide priority claims for imports of essential articles.

As regards the question of prior consultation with commercial bodies before import restrictions were imposed the Government regretted that it was not possible for them to do so but, they

stated, they were always prepared to consider representations made by commercial bodies on the subject.

At the instance of Messrs. Jeewanlal (1929) Ltd. the Committee had also addressed a letter to the Government of India on the 22nd January, 1941, drawing their attention to the restrictions imposed on the import of aluminium into India. The Committee pointed out that the notification in this connection stated that it would not apply to goods which had been despatched on through consignment to India before the 10th January, 1941. The Committee suggested that it was fair that the exemption should apply to all goods on order, whether actually despatched or not, before the date of issue of the notification, that is, the 3rd January, 1941. The Committee further stated that they learnt that several orders had been placed for aluminium in Japan and as Japan was not a difficult currency country, it would be to the benefit of the country if imports of this metal which was valuable for war purposes, were allowed from Japan. The Government of India replied on the 6th February, 1941, stating that careful consideration had been given to the representation made by the Chamber but they regretted they were unable to accede to the request made therein.

At the instance of the Calcutta Chemical Co., Ltd., the Committee addressed a letter to the Foreign Trade Controller pointing out the difficulties experienced by the Company in obtaining import license for waxed paper. It was stated that the Firm had been till now importing this kind of paper from England in appreciable quantities. The supplier in England was now unable to ship any further quantities owing to the restriction imposed in the United Kingdom on export of paper but he had expressed his readiness to send the required quantity from Canada. The Company however could not obtain a License to import the articles from Canada as evidence of import of the article in previous years from the same country was required. The Committee pointed out that in such cases where imports of articles had been stopped either because the exporting country had been declared an enemy country or because the Government of that Country had prohibited export of the article, the Importer had necessarily to find an alternative source of supply and if he was required to produce evidence of previous imports from that

country it would naturally be impossible for him to do so. The Foreign Trade Controller replied on the 30th June, 1941, stating that a representative of the Firm had called at his office and he was informed that no licence could be allowed for importation of the article from Canada against past imports from the United Kingdom. Moreover, ample supplies of the paper in question were available in the local market and the Firm therefore might be instructed to obtain such paper locally.

**Issue of Priority Release Certificates by the British Purchasing Commission.**—Late in May 1941, the British Purchasing Mission in U.S.A. laid down that priority Certificates issued by them would be required for shipment of all articles from the U.S.A. to any country in the British Empire with certain exceptions. Such certificates, it was stated, would be issued by the Commission only on receiving confirmation of the order from the Government of the Country concerned. It was noticed that the exceptions covered practically all the countries in the British Empire except India. The Committee thereupon addressed a letter to the Government of India on the 18th June, 1941, inviting their attention to the matter and pointing out that the procedure was bound to cause considerable delay and impede imports of essential materials from U.S.A., which was at present the main source of supply for such articles. The Committee expressed surprise that India was perhaps the only country to which the restriction applied and urged the Government of India to take up the matter with the British Purchasing Commission so that India might also be exempted from the new procedure like other Empire countries. The Committee also addressed a further letter to the Government of India on the 26th June, 1941, pointing out that the proposed procedure was bound to be prejudicial not only to the interests of Indian importers but also of Indian industries and the Government of India should therefore immediately represent the matter to the British Purchasing Commission so that India might be exempted from the same. The Committee also enquired about the details of the functions of the Indian Purchasing Mission in U. S. A. and the personnel and the method of work of the same. The subject was also discussed *inter alia* when the Committee met the Hon. the Commerce member on the 8th August, 1941.

### **Issue of Priority Certificates for imports from U. S. A.—**

A press note issued by the Government of India on the 17th June, 1941, stated that they had decided to set up a Central Organisation to deal with cases of issue of priority certificates by the Government to would be importers from U. S. A. of articles like non-ferrous metals, lubricating oil, machinery and tools, etc. The appointment of a Chief Controller of Imports in this connection was also announced. The Committee thereupon addressed a letter to the Government of India suggesting that the functions and powers of the organisation should be clarified as soon as possible, especially as to what relations the Chief Controller of Imports would have with the proposed Indian Purchasing Commission. The Committee further pointed out the necessity of allowing more imports from the U. S. A. to India as the exports from this country to U. S. A. had appreciably gone up, and consequently hardly any difficulty about obtaining additional foreign exchange would be experienced.

### **Delay caused on account of exchange and import control.**

—The committee received numerous complaints of inordinate delay being caused by present exchange and import control resulting frequently in considerable losses to the parties concerned on account of rise in prices of goods between the time the necessary permit was applied for and the time when the same was made available. A telegram dated 29th October, 1941, was therefore addressed to the Government of India referring to these difficulties and suggesting that firstly there should be a decentralisation of powers vested in the chief controller of imports so that applications for the import licenses in respect of machinery might also be dealt with by the import trade controllers at the ports. Under the present import trade control system, it was stated, articles were listed as parts A and B of a comprehensive schedule and all machinery was included in part B for which licenses were issued by the chief controller at New Delhi. The Committee pointed out that machinery was too big an item to be handled with necessary promptness by one such officer who had to deal with applications from all over the country for a variety of requirements. Secondly, the committee suggested that an arrangement with the United States Government which would enable the purchase of machinery on Indian account to be placed to an

agreed extent outside the scope of lease and lend provisions was highly desirable in order that India's discretion in making purchases in a manner advantageous to her might not be unduly fettered.

The Government of India replied on the 10th December, 1941, stating that before bringing in force the Import trade control on machinery they had considered very carefully whether it would be possible to effect licensing by Officials Stationed at the principal ports acting under a general code of instructions. It was however, decided that it was not possible to license the import of heavy goods such as plant and machinery on the strict quota basis which had been effected in the case of manufactured articles and consumer's goods, but that each application must be examined by a single authority and dealt with in relation to position in the country as a whole. The Government of India therefore regretted that they could not agree to decentralisation of the powers of the Chief Controller of Imports as desired by the Chamber. With regard to the second point in the Chambers' telegram the Government stated that machinery imported through commercial channels was not to any appreciable extent affected by the Lease and Lend provisions.

**Restrictions on Export of Hardware.**—At the instance of Messrs. Purshottam Ramji the Committee addressed a letter to the Department of Supply on the 5th March, 1941, referring to the application made by the Firm for export of 30 cases of hardware containing iron pad bolts to Singapore and requesting that the Chamber might be enlightened as to the reasons which made the Department of Supply arrive at the decision not to grant the same. The Department of Supply replied on the 27th March, 1941, stating that the permission to export the articles was refused as the same were required for use in the country. The Committee therefore addressed a further letter to the Government of India on the 9th April, 1941, pointing out that the articles mentioned were available in the Country in sufficient quantities to meet the requirements of the Government. The Committee also pointed out that the customers of the Firm at Malaya had sent them a certificate from their Government to the effect that the goods were required for war purposes. The Committee requested the Department to reconsider their decision

in the matter. The Department of Supply replied on the 19th April, 1941, stating that the position had been carefully reviewed in all its aspects and present as well as potential requirements had been considered. They added that they could not undertake to deal with representations made by Chambers of Commerce about individual applications which might have been refused or accepted. The Committee thereupon addressed a detailed letter to the Department of Supply on the 1st May, 1941, stating that they were not prepared to accept the position that the Government could not undertake to deal with representations by Chambers of Commerce about individual applications which might have been refused or accepted. The Committee pointed out that all such complaints were bound to be individual in the first instance but they often involved questions of principle or policy. The Committee believed that the Government certainly did not intend to suggest that representations<sup>\*</sup> referring to individual cases could not be considered irrespective of whether they contained matters of principle and policy or not, simply because they were based on individual applications. The Committee further stated that it was one of the most important functions of organisations like Chambers of Commerce to help individual members if they experienced any difficulty in their dealings with Government Departments or other public bodies. The Committee could not accept the contention that matters arising from individual applications would not be discussed by the Government.

**Shortage of shipping space for Coastal Traffic.**—At the instance of Mr. L. N. Birla, the Committee addressed a letter to the Government of India on the 4th April, 1941, drawing their attention to the serious position in the coastal trade of India, Burma and Ceylon as a result of scarcity of tonnage and dearth of shipping space. It was stated that in the absence of adequate tonnage being not available for coastal trade cargoes at the different ports had to wait for several weeks before shipment with the result that normal trade between India, Burma and Ceylon and as between coastal ports had been adversely affected. It was further pointed out that the normal imports of Burma rice<sup>\*</sup> into India amounted to about 15 lacs of tons per year and this year the imports would have been still greater as a result of decrease in the outturn of rice and failure of rice crop in

several parts of India, but as the necessary tonnage had not been available there was a shortage in rice imports to the extent of 2½ lacs of tons on an average of last two years' liftings and consequently the stocks of rice in India were low and the prices of rice had risen to the prejudice of the consumers. Apart from rice, similar difficulties, it was stated, were being experienced in the transport of other commodities. The consumers of starch in Bengal were experiencing a great difficulty by not getting regular supplies of the same from Burma. On the other hand the prices of foreign starch had gone up and it was difficult to obtain supplies from foreign countries. It was emphasised therefore that the Government should consider the vital question of import of necessary foodstuffs and other essential materials for industry and should allow a sufficient number of steamers for the coastal trade to carry cargoes steadily accumulating at the various ports and awaiting shipment. The Government of India replied on the 16th April, 1941, stating that the matter was already engaging their attention and that the request made by the Committee had been noted.

**Difficulties in Obtaining Shipping Space for Suez Ports.**—At the instance of the Muslim Chamber of Commerce the Committee addressed a telegram to the Government of India, Commerce Department, on the 21st January, 1941, drawing their attention to the difficulties experienced by exporters in obtaining shipping space for the export of goods to Red Sea Ports. The Committee stated that a number of consignments for Red Sea Ports were lying unshipped for several weeks and the exporters could not get any shipping space as all the available space had been requisitioned by the Government. The Committee requested the Government to arrange for the clearance of the accumulated consignments and to allow certain percentage of the freight to these Ports to the trade so as to avoid such difficulties. His Majesty's Ministry of Shipping Representative replied on the 30th January, 1941, to the telegram, enquiring as to the particulars about the cargoes waiting for shipment to Red Sea Ports. He also enquired about the dates on which the applications were made either to Shipping Companies or to the Sea Transport Officer for space for the various consignments. The Government of India also replied on the 11th



February, 1941, stating that demand for shipping space from India to Egypt had become very heavy, and that efforts were being made for berthing additional steamers to deal with the requirements of Indian exporters. The Committee replied to His Majesty's Ministry of Shipping Representative on the 11th March, 1941, giving details about the cargoes for Suez Ports, lying unshipped at Calcutta. The Committee further stated that applications to the Steamer Companies were made about two months before but the parties were informed that it was not possible to book any freight as all the steamers they had berthed had been commandeered by the Government. The subject was also forwarded for discussion at the meeting of the Calcutta Port Committee of the Export Advisory Council held in February 1941.

**Calcutta Port Committee of the Export Advisory Council.**—The following subjects were forwarded on behalf of the Chamber for discussion at the meeting of the Calcutta Port Committee held in February, 1941.

1. Restrictions on the export of paper.
2. Difficulties about obtaining shipping space for Red Sea Ports.

It was pointed out in connection with subject No. 1 that the Government of India's Notification dated the 29th June, 1940, included paper and paste board of all sorts and pulp of wood for paper making in Schedule D of the Government of India's Notification of the 15th May, 1940, which meant that the same could not be exported out of India without licences being issued by the Chief Customs Officer or Collector of Land Customs. The procedure that was laid down for the grant of licences provided that the same would be granted only for countries bordering the Indian Ocean and adjacent seas, and in accordance with quotas. It was pointed out that the case of the paper industry however demanded special consideration as up to the outbreak of the war, there was a keen internal competition between the old paper mills and the new mills which had recently entered the field. After the outbreak of the war the Indian paper mills looked forward to some improvement in the prevailing conditions as they found that the surplus production could be

exported to some of the foreign markets like the Straits Settlements, Singapore and Ceylon. Before the war these countries were supplied by foreign suppliers and export of paper to these parts in competition with them was not possible. The restrictions imposed by the Government on export of paper had therefore greatly handicapped the Indian paper mills. It was further pointed out that the Indian section of the paper mills did not export any paper to the outside markets before the war as there was hardly any chance for them to do so and the quota system therefore operated in a manner prejudicial to the Indian section of the paper industry. Having regard to the particular circumstances of the industry it was emphasised that restrictions on the export of paper to the neighbouring markets should be removed. Regarding subject No. 2 i.e., difficulties about obtaining shipping space for Red Sea Ports the Committee stated that a number of consignments for those ports were lying unshipped for several weeks and the exporters could not get any shipping space as all freight for these Ports was said to have been requisitioned by the Government. It was pointed out that the cargoes amounted to 6,000 cases of tea, 8,000 bales of gunnies and 300 cases of shellac. It was suggested that the Government should arrange for shipping space for these accumulated cargoes and should allow a certain percentage to the trade so as to avoid such difficulties in future.

The following subjects were forwarded on behalf of the Chamber for discussion at the meeting of the Calcutta Port Committee held in May, 1941.

- (1) Lack of shipping facilities for coastal trade in India.
- (2) Goods shut-out owing to steamers being requisitioned by the Government and payment of dock charges for the same.
- (3) Difficulties about obtaining shipping space for Suez Ports.

The following subjects were forwarded for discussion at the meeting of the Calcutta Port Committee of the Export Advisory Council proposed to be held in September 1941 (1) Shipping space from Calcutta to Port Sudan and Suez : Regarding this it was pointed out that due to members not being able to get

enough shipping space from Calcutta to Red Sea Ports—which was, however, available at other Indian Ports—they had to rail their goods to Bombay where the goods had to be stocked and despatched therefrom according to the allotment of space. This entailed unnecessary rail charges and rent in Bombay. It was further pointed out that members had been informed by their consignees at Port Sudan that the Sudan Government had imposed certain regulations under which no goods were allowed to be discharged there without permits. These regulations, it was stated, did not exempt contracts entered into prior to the imposition of the regulations which placed shippers in India to considerable difficulties, (2) Difficulties in obtaining adequate shipping space for exports of jute webbing to New York, (3) Difficulties of adequate tonnage from Calcutta to the ports in the near East and Middle East as a result of which some members had to suspend their business with these countries and even cancel business already secured, and (4) Shipping space from Calcutta to South Africa and to Mauritius. The meeting however could not be held and had to be postponed.

**Accumulation of Export Consignments.**—Learning that on account of shipping difficulties a large number of export consignments had accumulated at the Port, the Committee addressed a telegram on the 17th December, 1941, to the Government of India, Department of Commerce, drawing their attention to the fact that the accumulation of export consignments, particularly of gunnies at Calcutta for shipment to U. S. A., had created a serious situation owing to the approach of the due date of shipment and shippers being unable to get payment from foreign buyers. The Committee were afraid that unless freight was made available and goods were shipped, the situation would lead to a financial crisis. The Government were therefore requested to arrange for necessary steamer freight in consultation with the Representative of the British Ministry of Shipping and to persuade exchange banks to advance money to shippers against consignments at sale prices. This question was also discussed at a Joint Meeting of the various Indian Commercial Organisations in the City *viz.*, the Bengal National, the Indian, the Muslim and the Marwari Chambers of Commerce and the Marwari Association held at the premises of the Chamber to

consider the situation arising out of the extension of the war in the Far East.

**Joint Meeting of the Various Commercial Organisations in the City to Consider the Situation Arising out of the War in the Far East.**—A Joint Meeting of the Bengal National, the Indian, the Muslim and the Marwari Chambers of Commerce and the Marwari Association was held at the premises of the Chamber on the 11th December, 1941, to consider the situation arising out of the war development in the Far East. As a result of discussions at the meeting a joint communication dated the 17th December, 1941, was addressed to the Government of India drawing their attention to certain important matters connected with trade and commerce as relating to the present situation. Firstly it was pointed out that there were certain loopholes and ambiguities in the War Risks (Goods) Insurance Ordinance which required to be set right without delay. For instance, it was understood that goods borne on the tidal portion of a navigable river were not considered to be “situated in British India” within the meaning of the Ordinance and could not therefore be insured. Moreover, under the Ordinance the Owner of the goods was only entitled to claim indemnity in the event of loss. It was stated that not only it was difficult to determine when ownership passed from the buyer to the seller but the question of the unpaid seller’s lien also required consideration. An enquiry was also made whether the Ordinance covered the risk to goods as a result of capture by the enemy. Secondly it was emphasised that a scheme for the insurance of landed and other immovable property including buildings, plant and machinery against war risk should be brought into being at an early date. Thirdly it was stated that on account of the worsening of the situation in the Far East, shipping position had become very acute and goods were being accumulated at the ports. As this accumulation led to considerable blocking of finance it was suggested that foreign buyers should be persuaded to make payment for goods on the due shipment date if they could not get freight upto that time. Fourthly it was desired that the Government should assure the Commercial community that they would not stand in the way of the Indian Exporter getting a fair price for goods supplied by him to foreign countries. Fifthly,

it was pointed out that it was essential that adequate facilities of finance should be available in respect of cargoes accumulated at various ports and also in respect of internal trade. It was suggested that the Government should persuade the Exchange banks through the Reserve Bank of India to extend adequate facilities of finance to Indian merchants in order to avert a financial crisis.

The Government of India replied on the 22nd January, to the first two points mentioned in the joint communication. As regards the ambiguities in the War Risks (Goods) Insurance Ordinance they pointed out that goods borne on the tidal portion of the river Hooghly unless fully covered against War Risk by an Overseas Government War Risk Insurance Policy or a Marine Insurance Policy, would be insurable under the Ordinance as amended. They further stated that under sections 4 and 5 of the Ordinance, as recently amended, persons, though not the owners of the goods yet having an interest therein arising in the course of their business could also insure under certain circumstances. A study of the amended Ordinance, the Government stated, would reveal that the case of the unpaid seller who had an interest in the goods by reason of his unpaid seller's lien was now covered by the Ordinance. The Government further stated that the risk of loss or damage to goods as a result of capture by the enemy was not covered by the War Risks (Goods) Insurance Scheme nor was there, they stated, any occasion to provide cover against such risk as only such goods as were situate in British India were insurable under the Ordinance. As regards the second point about the insurance of immovable property, the Government stated, that it had been decided that it was not practicable to introduce a scheme to cover immovable property generally against war risks. A Scheme covering plant and machinery and certain buildings as defined under the Factories' Act was, however, under the consideration of the Government.

As a result of the Joint Meeting, communications were also addressed to certain exporters' associations including the Jute Fabrics Shippers' Association, the Calcutta Grain, Oilseed and Rice Association and the Gunny Trades Association, on the 18th December, 1941, pointing out that while manufacturers would

expect shippers to take delivery irrespective of whether the goods might be actually shipped or not, shippers would not get payment for the goods from their foreign buyers unless and until the freight was available and the goods were actually shipped. Such a position, it was stated, would naturally lead to financial crisis so far as shippers were concerned. It was therefore suggested that the shippers in India should all bring pressure on their foreign buyers to make payments for goods on the due shipment date if the steamer freight was not available for carrying the goods. It was pointed out that the Government of India had been approached to arrange for necessary steamer freights in consultation with the Representative of the British Ministry of Shipping in India and also to persuade Exchange Banks through the Reserve Bank or direct to advance money to shippers against consignments at sale prices. The Associations were however also requested to persuade all their members to make it a practice to demand for payment to be made for goods on the due shipment date wherever goods were sold on f.o.b. basis.

Replies were also received from the various Associations. The Calcutta Jute Fabrics Shippers' Association which was mainly interested in the matter stated that while a majority of their members were in favour of an agreement to adopt a procedure as suggested, which some of them were apparently already following, there were some who were opposed to it and the Association had therefore reluctantly decided that the proposed agreement must be abandoned for the time being in view of the lack of unanimity.

**Consignments discharged at Colombo, Bombay and Aden by certain steamers bound for Port Sudan.**—It was stated on page 48 of the last Annual Report that the Committee had made representations to the Government of India and to the various Port Trust authorities requesting them to waive the demurrage charges accruing on certain consignments which were unloaded at Bombay and Colombo, by steamers bound for Port Sudan. The Bombay Port Trust replied on the 27th March, 1941, stating that the cargo discharged by S. S. 'NAWAB' and S. S. 'BAHADUR' had been transhipped from over side to S. S. 'JEHANGIR' and had not therefore incurred any dock charges,

The Voyage of S. S. 'JEHANGIR' to Ports beyond Aden was however frustrated owing to war conditions and the vessel eventually returned to Bombay and discharged the cargo on the dock. The cargo remained under storage for a considerable time and consequently incurred penalty charges. When the question of levy of charges on the above cargo came up before the Trustees, they directed that in view of the exceptional circumstances, only one third single extra fees be levied in this case. The Committee also addressed a letter to the Indian Mercantile Chamber of Ceylon, Colombo on the 28th May 1941, drawing their attention to the cargoes discharged by S. S. 'Nyco' at Colombo and pointing out that the Bombay Port Trust Authorities had charged only one third single extra fees in similar circumstances and the Chamber may therefore take up the matter again with the Principal Collector of Customs, Colombo or with the Colombo Port Trust. The Indian Mercantile Chamber of Ceylon forwarded to the Chamber a copy of their representation to the Hon'ble Finance Secretary, Colombo requesting him to grant relief to the consigners whose cargo had been unloaded at the Port of Colombo due to conditions arising out of war. The Indian Mercantile Chamber of Ceylon further replied on the 31st October, 1941, forwarding a copy of the letter received by them from the Hon'ble the Finance Secretary, Government of Ceylon, in reply to representation made by them on the subject. It was stated in the reply that the cargo in question was charged only the transshipment charges and that there was no question of penalty. It was also stated that the transshipment and warehousing charges were fixed at a low rate which represented as nearly as possible merely the cost to the Government, of providing the accommodation in question. The Government of Ceylon therefore, saw no ground in granting any rebate, as in their opinion the sums paid in this case were as near as could be to the cost of affording the facility in question.

The Government of India also replied on the 10th December, 1941, to the Chamber's letter stating that they had already arranged with the various Port Trusts for a substantial reduction of the demurrage charges in the cases in question and they did not think any further relief was called for in this connection.

**Immigration of Indians into Burma.**—On the 14th June, 1941, the Committee addressed a letter to the Government of India referring to the question of Immigration of Indians into Burma. The Committee regretted that the Government of India had not associated non-officials and particularly the Representatives of the Indian commercial Community with the negotiations which the Government of India's delegation would carry on with the representatives of the Government of Burma. The Committee further stated that the problem of Indian Immigration into Burma formed an important part of the whole question of Indo-Burma Relationship and should have been more fully discussed along with the negotiations for the trade Agreement. The Committee hoped that the Government of India would not come to any final decision or any arrangement with the Government of Burma on this issue without full and prior consultation with the Indian Public and Commercial community. The committee also urged for immediate publication of the Report of the Baxter Commission which investigated into the problem of Indian Immigration. The Government of India acknowledged receipt of the Chamber's letter on the 18th June, 1941.

Learning that the Government of India intended to rush through the Indo-Burma Immigration Agreement the Committee further sent a telegram on the 14th July, 1941, to the Government of India expressing surprise that the immigration agreement was being rushed through without Indian public and commercial community being given an opportunity to express their opinion thereon. The Committee emphasised that it was essential in Indian interests that the Baxter Commission's Recommendations and the details of the talks the Government of India's delegation had in Burma were published so as to enable the Indian public to express their views on the same.

On the 21st July the Government published the terms of the Immigration Agreement concluded with Burma. The Committee thereupon addressed a detailed telegram on the 6th August, 1941, to the Government strongly protesting against the manner in which the agreement had been concluded without taking the Indian public or the commercial community into confidence and without giving them a chance to express their opinion on the



terms thereof. The Committee pointed out that it was unfortunate that the Government had separated trade matters from the Immigration question, thereby surrendering from beforehand the only lever that would have proved useful in negotiating the immigration agreement with Burma. The Committee further criticised the terms of the agreement and stated that they went even beyond the recommendations of the Baxter Commission in many important respects and imposed harsher restrictions on the Indian residents even than those in South Africa. The Committee further pointed out that the terms of the agreement would prove highly injurious to Indian interests and were discriminatory against and humiliating to Indians. The Committee suggested for revision of the agreement as soon as possible and emphasised that meanwhile no Order-in-Council should be passed giving effect to the same. A detailed communication was also addressed to the Government on the 16th August, 1941, on the subject.

**Difficulties experienced by passengers to Burma.—**

Learning that the Emigration Authorities in Calcutta required even bonafide businessmen going to Burma as deck passengers to produce documentary evidence to show that they did not go to Burma for un-skilled labour, the Committee addressed a communication on the 9th September, 1941, to the Protector of Emigrants pointing out that the authorities had adopted a wrong standard to differentiate between unskilled labourers and others by demanding evidence from all deck passengers, as it should not be difficult to distinguish an unskilled labourer from a bonafide businessman. The Committee also pointed out that many passengers travelling to Burma had to go as deck passengers as saloon accommodation was very limited and as most of them came from distant parts in the country and had no idea that such documentary evidence would be required they did not carry any such evidence with them and were consequently put to considerable inconvenience and had to wait for days together in Calcutta before being able to proceed to Burma. The Committee, therefore, requested the Protector of Emigrants to see that bonafide businessmen were not placed to unnecessary inconvenience. They also suggested that in order to assist the Protector in ascertaining the bonafides of businessmen going as deck passengers the Chamber would be prepared to issue certificates

to such persons which should be accepted as sufficient and conclusive proof to show that the person did not intend to go to Burma to engage himself as an unskilled labourer but was a bonafide businessman. It was subsequently learnt that the difficulties experienced in the matter had appreciably lessened.

**Supply of unskilled labour to Burma.**—Apropos a press report stating that the Government of Burma, had requested the Government of India for the supply of 35,000 unskilled labour workers for agricultural and other works in Akyab, the Committee addressed a letter on the 2nd December, 1941, to the Government of India drawing the attention of the Government to the transitory provisions embodied in clause 24 of Indo-Burma Immigration Agreement whereby the emigration to Burma of Indians for the purpose of unskilled work was prohibited from the 21st July, 1941, and stating that if the Government of Burma did stand in need of Indian unskilled labour, they should not have insisted on the prohibition of unskilled workers from India which was effected even before the Immigration Agreement was published. It was true, the Committee stated that an exception had been made for seasonal labourers, who might at the instance of the Government of Burma, be granted passports up to the number agreed between the two Governments. They expressed surprise that the Government of India should have agreed to this kind of one-sided stipulation while surrendering the right of unskilled Indian workers to proceed to Burma. They further stated that this demand for Indian labour proved beyond doubt Burma's dependence upon this country for her economic development. The Committee therefore, expressed the opinion that the Government should not accede to the demand of the Burma Government until and unless the question of a revision of the Indo-Burma Immigration Agreement was satisfactorily settled. In this connection the Committee referred to the rice export control scheme which the Government of Burma proposed to introduce from next year, as an instance of the Government of Burma's unresponsive attitude to Indian sentiments. The Committee further recalled in this connection that assurances were given when the Immigration Act was under consideration that the Government would not permit emigration of Indians to any country until equality of

status of Indians with other classes of His Majesty's subjects was assured in those countries. The Committee therefore strongly urged the Government of India not to accede to Burma Government's demand for unskilled workers until and unless the Government of Burma showed an accommodating spirit and agreed to revise radically their policy towards India.

**Indo-Ceylon Negotiations**—Learning that the Government of India had decided to proceed with the Indo-Ceylon negotiations, the Committee addressed a telegram on the 30th August 1941, to the Government regretting that, despite repeated requests from responsible Indian opinion including the Federation of Indian Chambers, and the Imperial Citizenship Association to postpone these negotiations until the Indo-Burma Immigration Agreement had been revised to the satisfaction of the Indian public and to await better atmosphere for negotiations with Ceylon, the Government had decided to open these negotiations. It was further pointed out that the Government should not have precipitated the present talks with Ceylon and the then Education, Health and Lands Member could have left over this matter for his successor, who was specially appointed to the portfolio of Indians Overseas, to carry on negotiations with Ceylon under more favourable conditions.

**Visit of the Economic Adviser to the Government of India to Singapore sometime back for the purpose of certain economic discussions.**—The attention of the Committee having been drawn to a press report about the Conference held at Singapore some time back regarding International trade control and the Government of India having deputed Dr. T. E. Gregory, Economic Adviser to the Government of India, to the same, they addressed a letter to the Government pointing out that for such important discussions affecting Trade and Commerce, it was proper that a representative of the Federation of Indian Chambers of Commerce and Industry should have been invited to accompany Dr. Gregory. They further expressed the hope that the Government would consult the Federation before any commitments on behalf of India in connection with this Conference, were made or any decisions pertaining to India were arrived at. The Government replied stating that the visit of Dr. Gregory to

Singapore was made at the invitation of the British Ministry of Economic Warfare for the purpose of certain discussions, the nature of which it was not in the public interest to disclose. They further stated that the Hon'ble the Commerce Member had made it perfectly clear in his speech at the opening of the first meeting of the Export Advisory Council held on 11th June, 1940, that the Government were always anxious to examine and remedy any grievances that might come to light regarding the actual working of any policy of economic warfare that was adopted. The Government added that general trade questions were, however, not discussed at the Conference and that Mr. Duff Cooper was not in Singapore at the time of Dr. Gregory's visit to that place.

**Mail-Subventions to the P. & O. and the British Overseas Airways Corporation.**—The need for adjustment and reduction in the Subventions given to the P. & O. Company and the British Overseas Airways Corporation in view of the irregularity in and disorganisation of Mail Services due to the War was emphasised in communications dated the 26th September and 23rd October, 1941, addressed by the Committee to the Government of India. It was pointed out that the Indian Treasury was paying about £30,000 every year to the P. & O. Company and about Rs. 15 lacs per annum to the British Overseas Airways Corporation for maintaining the Mail Services. The Committee stated that the subsidies given to the two Companies did not according to the Government's own view constitute any financial help to the said Companies but were payments for services rendered, and consequently it was essential that the Government should make the necessary adjustment and reduction in the subventions owing to the curtailment of the Mail Services. The Committee in this connection also stressed that whatever arrangements might be made on a revision of the Agreement with the P. & O. Company should be made only for duration of the War, because the Indian Shipping Companies must be given an opportunity, on the basis of suitable subvention, to participate in the Overseas trade of the Country in the Post-war period. The Committee further expressed the view that the present agreement in regard to the Indian Trans-Continental Airways Ltd. which ensured a majority of the share capital of the Company to the British Overseas Airways

Corporation and which was entered into by the Government despite strong opposition from the public and the Commercial community should also be revised so as to enable the Government of India to have controlling interests in the affairs of the Indian Trans-Continental Airways. The Director-General of Posts and Telegraphs replied on the 25th November, 1941, forwarding a copy of the Government's reply to the Hon'ble Raja Yuveraj Dutta Singh's question in the Council of State. The reply on behalf of the Government referred to in this letter stated that the Government of India did not pay subsidies either to the P. & O. Company or to the British Overseas Airways Corporation which were under contract with His Majesty's Government. But the Government of India made a contribution for the use of the services operated by these companies which amounted to about £30,000. The question of reduction in these payments, it was stated, was under correspondence with His Majesty's Government. As regards the future, the Government had made certain proposals to His Majesty's Government for the revision of the existing arrangements but no final settlement was likely to be made during the war. The letter added that the Government thought the present was not a suitable time to consider the question of a revision of the existing arrangements with the P. & O. Company.

**Exploratory Trade Talks with the Overseas Delegations that attended the Eastern Group Conference.**—It was stated on page 61 of the last Annual Report that the Committee had addressed a letter to the Government of India on the subject and they had replied that the Export Advisory Council would be informed of the details about the exploratory trade talks which the Government had found it possible to have with the various Overseas Delegations. The Committee addressed a further letter to the Government of India on the 11th March, 1941, stating that they learnt that at the meeting of the Council held on the 7th and 8th January, 1941, the members of the Council were not apprised about the details on the subject. The Committee were not aware as to why the Government had not found it possible to inform the members about the informal trade talks which the Government had proposed and they requested the Government to enlighten them in the matter. The Government of India replied on the 15th April, 1941, forwarding an extract from the

proceedings of the Export Advisory Council which contained the remarks made by the Chairman of the Council on the subject. It was stated that the hopes of the Government in this connection were not entirely realised partly owing to the shortness of the stay of the Delegates who had to concentrate their attention on the special subject for which they had come and partly owing to the fact that the Delegations were small and in several cases did not include persons who could usefully take part in discussion on commercial matters. The Commerce Department nevertheless had useful talks with more than one delegation, namely, from East Africa, Australia and Palestine and in the case of East Africa, the Delegation was also put in touch with some unofficial representatives of commercial interests in India. The Committee thereupon further addressed letters to the representatives of Indian Trade and Commerce on the Export Advisory Council on the 18th April, 1941, drawing their attention to the remarks made by the Commerce Member, Chairman of the Council on the subject, particularly his observation that "useful contacts were established and available information interchanged". The Committee requested them to press for more detailed information on the subject at the next meeting of the Council. Mr. Chunilal B. Mehta, one of the representatives replied on the 22nd April, 1941, stating that so far as the Delegation from East Africa was concerned the reference appeared to be to the Hon. Mr. Pandya who came as one of the delegates from East Africa and with whom there was a meeting of the Committee of the Federation of Indian Chambers at Delhi. He further stated that he was sending a copy of the Chamber's letter to the Commerce Department inquiring about the details desired. Mr. Mehta further wrote to the Chamber on the 10th June, 1941, forwarding an extract from the Proceedings of the Export Advisory Council on the subject. It was stated therein that the Hon'ble the Commerce Member had the opportunity of meeting the Delegates from South Africa and discuss with them the question of promoting trade with that country. A meeting was also arranged between the South Africa Delegates and Technical Advisers on one hand and representatives of Indian Industry such as Sir Homi Mody and Sir Shri Ram on the other. At that meeting questions affecting trade between India and South-Africa

were particularly discussed. As regards Palestine it was stated that Sir Allan Lloyd had talks with their representatives as to the possibility of trade in particular commodities. But in the conditions obtaining at the moment the prospects were not very encouraging. Regarding Australia it was stated that discussions were held with Sir Walter Massey Greene on matters of Commercial interest. It was pointed out that in view of the restrictions on imports from hard currency countries, India would have to turn more and more to Australia for manufactured goods and for plant and machinery in some cases. It was further pointed out that the Department of Commerce had been in touch with Sir Bertram Stevens in regard to this and allied matters. It was further stated that the Government of India had expected negotiations on an extensive scale but the expectations were not realised due to the fact that the representatives were fully absorbed with the work of the Eastern Group Conference itself. It was hoped however, that the Government of India would discuss important matters further with the Representatives of various Empire Countries who had come to India as members of the Eastern Group Supply Council.

**Representative Standing Committee recommended by the Eastern Group Conference.**—It was stated on page 61 of the last Annual Report that the Committee had addressed a letter to the Government of India stating *inter alia* that the Indian commercial community was keenly interested in the decisions arrived at the Eastern Group Conference and that the Government of India should take the commercial community into their confidence in the matter. The Committee had also addressed another letter to the Government of India (page 62 of last year's Report) referring to certain Reports that appeared in the Press regarding the Programme of Production allotted to India and suggesting that the same should be made available for the information of the public. The Committee addressed a further letter to the Government of India stating that in the absence of details regarding the decisions arrived at the Eastern Group Conference, it was not known what new or old industries would be developed in the country. It was further pointed out that if foreign interests were allowed to establish industries in India under the plea of urgency of war needs, India would

not be able to derive the benefit of the present opportunity of industrial development. It was also emphasised that the Government should see that encouragement and assistance was given only to such concerns as were controlled, manned and managed by Indian nationals. The Government of India, Department of Supply, replied on the 16th January, 1941, stating that the paramount considerations of secrecy in connection with the prosecution of the war prevented full details being given of the war efforts which were required from India. The Government of India further stated that they were giving from time to time such information of industrial effort which they fostered as was consistent with those considerations. As regards the Chamber's suggestion that assistance should be given only to such concerns as were managed, manned and controlled by Indian nationals, the Department of Supply stated that the questions raised in the letter were primarily concerned with the Commerce Department and the letter had been therefore passed on to that Department.

**Distribution of War Orders.**—On the 24th May, 1941, the Committee addressed a letter to the Government of India drawing their attention to a large order for supply of cotton jute union canvass placed by the Department directly with a certain European owned Jute Mill. The Committee enquired as to why in this case the order was not placed as usual through the Adviser for Jute purchases and instead the special procedure was followed of directly placing the order with the jute mill concerned. The Government of India replied on the 13th June, 1941, stating that the order for cotton jute union canvass was placed by the Department of Supply because this material was not considered to be an article of purely jute manufacture and that this action was not taken before the attention of 55 Jute mills had been specifically drawn by individual notices to the tender notice for 6,34,000 yards of Jute cotton union canvass. The Government it was further stated were in agreement with the view of the Chamber that ordinarily all their requirements of jute and jute manufactures should be purchased through the channel of the Adviser for Jute Supplies.

The Committee thereupon addressed a further letter to the Government of India on the 10th July 1941, stating that



while they appreciated the assurance in the Government's letter they would point out that orders for articles in the manufacture of which materials other than jute constituted more than 60% of the finished product had been placed before this by the Adviser for Jute purchases and they failed to see any justification for considering cotton jute union canvass as an article not falling within the scope of activity of the Adviser. The Committee failed to appreciate why in this case a special procedure was followed. The Committee further pointed out that the 55 Jute Mills referred to in the Government's letter were presumably European Owned Mills as the Indian Mills did not seem to have received any such tender notice, except one that was received in 1939.

**Orders for clothing placed in Australia.**—Apropos a Press Report that large clothing orders for the use of defensive forces in India had been placed in Australia, the Committee addressed a letter on 10th April, 1941, to the Government of India pointing out that India had got a well developed textile industry capable of meeting the requirements of war supplies. The Committee therefore enquired about the special circumstances which necessitated placing of this large order for clothing for the Indian defence forces with Australia. The Government of India replied on the 26th April, 1941, stating that they had not placed orders in Australia for textile items except certain woollen articles. They further stated that the whole of India's capacity for woollen textiles had already been booked up by the Department of Supply and orders were only placed in Australia after it had been established that they could not be met from Indian capacity.

Sometime after this another Press Report appeared that the Government of India had placed further orders for clothing with the Australian Department of Supply. The Committee thereupon addressed a letter to the Government of India on 13th May, 1941, enquiring as to what articles were included under the 20 groups of manufactured articles reported to have been covered by the order. The Government of India replied on the 14th July, 1941, enclosing a list of articles for which orders had been placed in Australia. The Government added that the orders placed in Australia were not for Indian forces

alone but for the Empire forces generally and included items for which India's capacity was non-existent or inadequate. The matter is receiving attention.

**Preference to British Products in matter of Supplies.—**

Messrs. Krishnalal Thirani & Co. forwarded to the Chamber a copy of the letter they had received from the Superintendent, Rifle Factory, Ishapore, regarding supply of emery paper discs. The Superintendent, Rifle Factory, Ishapore, in his letter had stated that the products of that firm were acceptable but if British made products could be obtained, they were preferred. The Committee thereupon addressed a letter to the Government of India on the 18th January, 1941, stating that it was surprising to note a responsible officer of the Government proposing such discrimination against Indian goods. The Committee pointed out that the commercial community had since a long time felt that the declared policy of the Government to encourage the production of goods in India as far as possible was not being effectively put into practice by the officers in charge of the Government. The Committee believed that this was not a solitary instance of its kind, but that Indian goods were in fact discriminated against when the question of supply to the Government arose and similar foreign products were available for the purpose, although it was not always possible to give examples of such discrimination. The Committee requested the Government to enquire into the matter and to assure that such instances did not recur in future and that the Government would take all effective measures to put into practice their declared policy of encouraging Indian industries. The Secretary to the Department of Supply replied on the 1st February, 1941, stating that he had looked into the matter and found that there was no intention of preferring British products to Indian products generally. According to him, emery paper discs in the ordinary course were being obtained from the United Kingdom and discs of the inferior quality were accepted owing to war emergency. According to him, the accusation of discrimination was wholly unjustified. The Controller of Supplies, Bengal Circle, also wrote a letter to the Chamber on the 4th February, 1941, forwarding therewith a copy of the letter he had addressed to the Government of India, Department of Supply. In his letter he had stated that much assistance had been given to

the factory by the Department and that their products were now acceptable reflected directly upon the amount of assistance given to them by the staff of the Gun and Shell Factory. He further stated that the emery paper discs manufactured by the factory had still a working life appreciably below that of the British made and it was this, which in the opinion of the Controller of Supplies, provided ample justification for the preference indicated. The Government of India also replied to the Chamber on the 12th February, 1941, stating that there had been no change in the general policy of the Government of India in the matter of their purchase of stores as enunciated in the Preamble of the Rules for the supply of articles required for public services. It was further stated that the Government had no evidence that this general policy was not being put into Practice by their purchase organisations. It was pointed out that the stores purchase rules required Indian manufactures to be given preference over British as well as foreign manufactures subject to the proviso that the quality was sufficiently good for the purpose. Regarding the emery discs, the Government stated that the quality of the firm's product left much to be desired. It was unfair according to the Government, therefore, to draw from the Superintendent's remarks the conclusion that a responsible officer was proposing discrimination against Indian made goods. The Committee addressed a further letter to the Government of India on the 18th February, 1941, pointing out that their objection was only to the general remark made by the Superintendent of the Ishapore Rifle Factory that if British made products could be obtained, they were preferred. It was pointed out that the note in question did not mention anything about comparative quality of the Indian and British products and the obvious interpretation from the wordings was that there was an intention to prefer British products to those manufactured in India.

#### **Medical Stores Imported by Government from Abroad.—**

The question of the Government of India placing a longterm order with U. K. Manufacturers for three years' supplies of certain medical stores was discussed by the Committee *inter alia* when they met Mr. M. S. A. Hydari, Representative of the Government of India on the Eastern Group Supply Council in July last. Subsequently a letter dated the 4th September, 1941,

was addressed to the latter forwarding copies of the correspondence the Indian Chemical Manufacturers' Association had with the Government on the subject and suggesting that the name of the articles ordered from the United Kingdom should be supplied to the Chemical Manufacturers' Association. The Representative of the Government of India on the Eastern Group Supply Council replied on the 20th October, 1941, stating that the Government had already given an assurance that they were always prepared to purchase in India all medical supplies of Indian manufacture which were up to the prescribed standard. He further stated that lists of medical stores which the Government were importing from abroad were being periodically supplied to the Indian Chemical Manufacturers' Association by the Director-General of Medical Service. The Committee thereupon addressed a further letter on the 15th November, 1941, to him pointing out that they were aware that the Government had given an assurance as mentioned but what they desired to emphasise in their previous letter was that if this assurance was implemented in its spirit, the Government should not only purchase the requirements of medical stores as far as possible in India but should also encourage the manufacture of further items of the prescribed standard. The Committee further stated that a copy of the recent list of imported articles had been received by the Indian Chemical Manufacturers' Association and they hoped the Director-General of Indian Medical Service would be good enough to continue to supply such lists periodically to the Association. The Committee also suggested that wherever possible quantities required by the Government of the various articles should be mentioned in the lists so that manufacturers of the articles desiring to take up production of the same might have some information about the extent to which they can rely on Government purchase. A reply dated the 21st November, 1941, was received from the Representative of the Government of India on the Eastern Group Supply Council, regretting that in the list of imported essential drugs supplied to the Association quantities ordered abroad could not be given.

**Payment of Bills for goods supplied to the Department of Supply.**—At the instance of the Marwari Chamber of Commerce the Committee addressed a letter to the Government

of India on the 21st March, 1941, drawing their attention to the question of payment of bills of contractors for goods supplied to the Department of Supply. The Committee stated that they learnt there was considerable delay in making payments for these bills. While it was appreciated that some delay in these cases was unavoidable, it was pointed out that it would greatly facilitate business firms supplying goods to the Government if it could be arranged that Banks would make advances on these bills and later on collect payment for the same from the Government. It was stated that the Banks were agreeable to such a proposal but they found it difficult to do so owing to the Government not recognising third party lien in respect of these bills. The Government were therefore requested to recognise the lien of the collecting banks. It was also suggested that the Government might request the Reserve Bank of India to discount such bills submitted by the scheduled banks so that the latter might extend the desired facilities to all their customers without being handicapped by any restriction. The Government replied on the 15th May, 1941, stating that payments due to contractors would be made to financing banks direct provided the contractors executed power of attorney in favour of the banks and fulfilled certain other conditions laid down by the Government. The Government further stated that this procedure would not affect the usual rights of the Government to deduct from the contractor's bills any sum due to Government on account of penalties etc. The Government added that apart from this steps were also being taken to ensure that the contractors' bills were paid with least possible delay. The Government further issued an Order providing that as a general rule 90% of purchase prices should be paid after inspection and on proof of despatch and the balance against consignee's certificate of receipt of goods according to the usual procedure. This Order however provided that such "on account payments" were not necessary and should not be made when the value of the contract did not exceed Rs. 200/- or when the stores were delivered locally without being transported by rail or sea. The Committee thereupon further represented to the Government that there was no reason to deny the 90% "on account" payment facility to local suppliers who formed the majority of suppliers, as it would place them to considerable

disadvantage as compared to outside suppliers and would also unnecessarily block up their large amount in the goods.

**Appointment of Advisers and Liaison Officers in the Supply Department.**—It was stated on page 58 of the last Annual Report that the Committee had some correspondence with the Government of India regarding the designations given to the representatives of different industries associated with the Supply Department. The Committee addressed a further letter to the Government of India on the 29th January, 1941, stating that they understood that the Government of India had agreed that as the different designations given to the representatives of the different industries associated with the Supply Department, *e.g.* Controller, Adviser and Liaison Officer might have a misleading effect, the designations should be made uniform for representatives of all industries. The Committee enquired wheather any final decision had been taken in the matter. Regarding the appointment of a Liaison Officer for the textile industry, the Committee were surprissd to note the Government's assertion that "the leading representatives of the industry did not consider such an appointment to be necessary". The Committee did not know as to who were consulted as the "leading representatives of the industry". The Committee stated that the textile industry throughout the country was very well organised and they enquired whether the various mill owners' associations were officially consulted in the matter. In this connection the Committee also referred to the reply given by the Hon'ble Sir Mohamed Zafarulla Khan when the question was raised in the Assembly that in the case of industries which had organised associations, the appointments had the approval of these associations. The Committee were unable to appreciate as to why in the case of the textile industry, a different procedure was followed and only "leading representatives of the industry" were consulted, inspite of the recognised associations. The Committee hoped that the appointment of a whole time officer in the supply Department as the Director of Textiles would terminate soon as the presence of a gentleman directly connected with a textile manufacturing concern, they believed, was bound to affect the interests of other manufacturers. The Government of India replied that the designations of the non-official advisers associated

with the Department of Supply had been made uniform by their press note dated the 23rd January, 1941. As regards the appointment of an adviser for the textile industry, the Government stated that the matter was still under their consideration. The Government further added that the Director of Textiles in the Supply Department was not concerned with the placing of contracts and the Government were satisfied that the present appointment was not in any way prejudicial to the public interest.

**Transfer of the Textile Section of the Department of Supply from New Delhi to Bombay.**—On the 14th May, 1941, the Committee addressed a telegram to the Hon'ble Sir Mohamed Zafarulla Khan, Supply Member, and to the Director General of Supplies as also to the Chief Controller of Purchases protesting against the proposed transfer of the Textile purchase section from New Delhi to Bombay. The Committee pointed out that the transfer might prove prejudicial to the existing supply programme, and that in 1940-41, Bombay had supplied only a quarter of the total textile purchase. The Committee urged that the textile section of the Department should therefore be retained at new Delhi.

**Representation of certain interests on the Provincial Advisory Committee for war Supplies.**—At the instance of Mr. G. L. Mehta, the Committee addressed a letter to the Government of India on the 22nd January, 1941, inviting their attention to the question of representation of certain interests on the Bengal Provincial Advisory Committee for war Supplies, which had been expanded and reorganised. It was pointed out that apart from the representatives of the various Chambers of Commerce and trade organisations, the personnel of the Committee also included representatives of two individual mercantile firms *viz.* the Imperial Chemical Industries (India) Ltd. and Messrs. Mackinnon McKenzie & Co. The Committee failed to understand as to why it had been considered necessary to grant representation on the war Supplies Advisory Committee to these individual firms. It was pointed out that the usual practice that had been followed by the Government for representation of commercial interests on all public and semi-public bodies was to grant such representation only to recognised Chambers of Commerce and commercial organisations. Both

Messrs. Mackinnon McKenzie and the Imperial Chemical Industries were members of the Bengal Chamber of Commerce, who were represented on the Provincial Advisory Committee and it was therefore unfair that these two individual firms should also be given separate representation on the Advisory Committee. The Government of India replied on the 4th February, 1941, stating that the constitution of the Provincial Advisory Committee had been so devised as to secure representation of the commercial, mercantile and shipping interests in the province, consistent with the actual requirements of the Department of Supply in matters concerning war supplies and there could be no fundamental objection to separate representation being accorded to any industrial or commercial firm, whose association with the War Supply Committee was considered by the Government of India to be of a special value, even though such a concern be affiliated to a Chamber of Commerce already represented on the Committee.

**Setting up of separate Provincial Stores Purchase Departments.**—At the instance of the Association for Paint, Colour and Varnish Manufacturers in India, the Committee addressed a letter to the Government of India on the 4th April, 1941, pointing out that it would not be desirable for the Provincial Governments to set up their own separate stores purchasing departments. The Committee stated that in view of the war supplies programme, it was desirable that all Government purchases in the country were co-ordinated and this could only be done by the Provincial Governments also directing their purchases through the Indian Stores Department instead of setting up their own purchasing organisations. The Government of India replied on the 25th April, 1941, stating that after careful consideration of all the circumstances, they did not think that it was a matter in which the Government of India should take any action. The Government further stated that the Provincial Governments were autonomous and they were free to set up their own purchase organisations if they so desired.

**Practice of calling for open tenders in the case of certain war supplies and registration of new firms.**—It was stated on page 56 of the last Annual Report that the Committee had some correspondence with the Government regarding their decision,



not to register the names of any new firms, particularly with regard to the supply of tentage for which large orders were being received. The Committee addressed a further letter to the Government of India on the 3rd January, 1941, stating that they did not agree with the Government's contention that any further expansion of tentage manufacture would not be in the interests of either the Government or the industry. It was pointed out that the Committee had the advantage of discussing the matter with the Hon'ble Member in charge of the Department of Supply when he visited the Chamber and they were assured that the Government would consider any new applications for registration from firms of standing for the supply of tentage. The Government were therefore requested to reconsider the matter. The Government of India replied on the 14th January, 1941, stating that the assurance given by the Hon'ble Member for supply related to applications other than those from firms desiring to be registered for the manufacture of tentage. The Government further stated that there was nothing to prevent any firm applying for registration for any other purpose but the Government of India were satisfied that further capacity for the manufacture of tents was not at present needed. The Committee thereupon addressed a further letter to the Government of India on the 21st January, 1941, regretting that the Supply Department felt that there was no necessity for registering any new firms for the supply of tentage. It was pointed out that such discrimination against new firms in registration was bound to create a virtual monopoly in favour of those firms who were already on the list. The Committee were opposed to the policy of confining the benefits accruing from war orders to a few specific firms in this manner under the plea that further capacity for the manufacture of the article was not at present needed. It was pointed out that if more firms were registered for the purpose, it would not only encourage those firms but would also benefit the Government by enabling them to purchase their requirements at competitive prices. The Committee failed to see any reason as to why discrimination should be made in the case of registration of firms for supply of tents when there was nothing to prevent firms from applying for registration for any other purpose. The Government were therefore requested to reconsider their decision in the matter. The Government of India replied on the 4th

February, 1941, stating that they were unable to accede to the request of the Chamber in the matter.

**Information about tenders submitted to the Supply Department.**—The Committee were informed that in case of advertised tenders, representatives of tenderers were allowed at the time of opening of tenders to be present and to note down the names of tenderers, quantities and the rates quoted. Firms who had no representatives at the places where the tenders were opened *e.g.* Delhi or Calcutta could not, however, obtain this information as even when they wrote to the department, the latter did not supply them the same. The Committee thereupon addressed a letter on the 30th July, 1941, to the Chief Controller of Purchases suggesting that arrangements should be made to furnish information about tenders submitted to outside tenderers as such information would prove very helpful to them. A reasonable fee, it was suggested might be charged to each outside tenderer desiring to get the information, to cover the necessary expenses. A reply dated the 16th October, 1941, was received from the Department of Supply stating that they were unable to furnish the required information in detail as requested by the Chamber. They further added that instructions had already been issued to notify the results of tenders through the Indian Trade Journal or by a special letter to all the tenderers.

**Government policy of purchasing ghee and grains.**—At the instance of Messrs. Matadin Khaitan the Committee addressed a letter to the Government of India on the 11th March, 1941, stating that they understood that the Government had been purchasing about 85,000 maunds of ghee for their requirements every year in normal times. These purchases, the Committee learnt, were being made from a party in Gwalior, who worked as their agent and was given 8 annas per maund as commission excluding establishment charges. It was further stated that a similar arrangement with a firm in Lahore was also said to be in practice for the supply of Government requirements of grains and wheat. The Committee were of the opinion that the requirements of the Government of India of these articles at present must be greater and they felt doubtful if the system of purchasing such large quantities from one party was to the advantage of the Government. The Committee requested the

Government to clarify the position in the matter as to how the orders for ghee, wheat and grain requirements were being distributed. The Chief Controller of Purchases, Contracts Directorate, replied on the 7th April, 1941, stating that ghee required for military purposes was being purchased by agency system which had been in operation for many years prior to the outbreak of the war. He further stated that the salient features of the agency system were (1) a firm possessing the requisite technical knowledge and experience of the trade in ghee was selected as a result of open competitive tender to act as agent to Government (2) the agent was prohibited from trading in ghee with the Government (3) purchases were made by the agent in upcountry assembly markets where primary producers brought their ghee for sale and important consuming centres drew their supplies from (4) the quality purchased conformed to the Government specifications and (5) the purchases were made at prevailing market rates subject to control of prices paid. He further added that the ghee purchased by the Government was heated and tested at the military ghee heating centre at Agra and duly cleaned and analysed. The present system had been found to be both efficient and economical to the Government and in his opinion this practice did not place the trade under any disability to sell ghee to the Government as the purchases were made in the open market and every primary producer or Vendor of ghee had full opportunity to offer it to the Government. He further added that the position regarding purchases of grains and wheat was similar to that of ghee, and the Government of India had no intention to alter the existing arrangements so long as they continued to obtain supplies of ghee, grains and wheat up to the specifications and in required quantities and at economical cost to the Government. The Committee addressed a further letter to the Chief Controller of purchases on the 22nd April, 1941, requesting him to let the Chamber know the quantity and total value of ghee and wheat and grains purchased by the Government under the agency system at present as compared to normal purchases. The Committee also enquired about the rate of commission which the Government paid to their respective agents as also the other terms of agency. A reply from the Government is awaited.

**Publication of tender notices for sugar.**—The Committee addressed a letter to the Supply Department, Government of India, drawing their attention to the difficulties experienced by a large number of sugar merchants, who were not subscribers to the Indian Trade Journal, on account of the publication of tender notices for sugar only in the Trade Journal. The Committee suggested that information about sugar tenders in addition to being published in the Trade Journal might be supplied to the Indian Sugar Mills Association, Calcutta, who would circulate the same to all their members. This, it was stated, would not only be to the advantage of the merchants but also of the Government themselves as it would enable them to obtain their requirements of sugar at competitive prices owing to the Indian Sugar Mills Association being an all-India organisation of the sugar industry and as such able to disseminate the information to all the sugar mills. The Government of India replied on the 6th November, 1941, stating that information about Sugar tenders would henceforth in addition to being published in the Indian Trade Journal be supplied for circulation to the Indian Sugar Mills Association and the Indian Sugar Syndicate as desired by the Chamber.

**Allocation of Government Contracts between different Communities on population basis.**—On the 4th April, 1941, a non-official Resolution was moved in the Bengal Legislative Council to the effect that Government contracts should be given to Bengalee Muslims on their population basis in various districts after properly advertising for tenders. The resolution as finally passed recommended that the Government should grant increasing facilities to Bengalee Muslims and Scheduled Castes to tender for Government contracts in every district and that the contracts should be distributed to various communities on population basis. The Committee thereupon addressed a letter to the Government of Bengal on 3rd May, 1941, drawing their attention to the Resolution and strongly protesting against the proposition to distribute Government Contracts on a communal basis. The Committee pointed out that the Chamber had also got a large number of Muslim members on their roll but they desired to record their strong protest and disapproval of the introduction of communal considerations into matters of trade and business. The Committee were of the opinion that the only satisfactory

method of awarding contracts was by inviting public tenders and accepting from amongst them the lowest tender. The Committee further stated that the adoption of the principle enunciated in the Resolution would encourage nepotism and would lead to unhealthy state of affairs in the matter of allotment of public contracts. The Committee emphasised that the Government should stick to the policy of allotting contracts strictly on economic considerations. In view of the importance of the matter the Committee suggested that the Government should issue a statement reiterating their adherence to the principle of awarding the contracts to the lowest tenderer irrespective of considerations of religion or community.

**Government Notification re : Chromium Compounds.—**

The Government of India issued a Notification on the 26th May, 1941, prohibiting all holders of stocks of chromium compounds from using, selling or otherwise disposing of the same and requiring them to declare all stocks of these compounds in their possession. In course of a long correspondence exchanged with the Government on the subject, the Committee suggested that industrial concerns using chromium compounds in the process of manufacture might be exempted from the operation of the Notification. The Government replied that the object of the Notification was to ascertain stocks available in the country, to admit of transfer of such portions of them as were required for immediate use to meet shortage of stock with mills engaged on urgent war orders. They added that a general release Notification would be issued shortly.

**Iron and Steel (Control of Distribution) Order, 1941.—**

On the publication of the Iron and Steel Order by the Government of India several enquiries were received from members about the quantities fixed by the Government for petty sales under the Order, that is, quantities which might be purchased by any customer without a licence. The Committee thereupon addressed a letter on the 5th August, 1941, to the Iron and Steel Controller pointing out that the business of firms dealing in iron and steel had been practically reduced to a stand-still as the Government had not as yet fixed the quantities of iron and steel for purchase of which no licence would be required. The Committee also emphasised that these quantities should be sufficiently large as to allow bonafide business to continue unhampered. The Committee

also enquired about the procedure to be followed for registration of stock holders required under the Order. The Government of India after some time notified in the Gazette of India the quantities and the categories of iron and steel which might be acquired by or disposed of to any customer without a licence. The Iron and Steel Controller also forwarded to the Chamber a copy of this Notification.

As the quantities allowed for sale or disposal without a licence were found to be very low, the Committee, at the instance of several merchants, addressed a letter on the 13th September, 1941, to the Government of India, Department of Supply, pointing out that in cases of bolts, nuts, washers, rivets, screws, galvanised wire, black wire, barbed wire, etc. the maximum quantity of 1 cwt. per month permissible for sale or disposal without license as fixed by the Government was too low and that if merchants were required to restrict their sales to this limit it would be practically impossible for them to meet their establishment charges. They therefore suggested that the quantity of sale of the articles mentioned above should be increased atleast to two cwts. per day in each article. It was further stated that if the maximum quantity was not raised to the suggested level it would not only affect the trade but also supplies of those essential articles to the Government. The Government of India replied on the 29th November, 1941, stating that the points mentioned by the Chamber in their letter had been taken into account and the notification referred to by the Chamber had since been revised. It was further pointed out by the Government that the maximum allowed was sale without license by anyone dealer to anyone customer in anyone month and not the total sales made by a dealer during one month.

**A. R. P. Daylight Saving Scheme.**—It was mentioned on page 172 of the last Annual Report that the Government of Bengal had requested the Chamber to bring to the notice of members certain suggestions made by them in connection with black-out arrangements that would come into force on the declaration of a state of emergency. The Bengal Chamber wrote a letter to the Chamber on the 31st January, 1941, in this connection stating that from replies received from their members it appeared that it would be necessary to revise the

existing office hours during a period of emergency rather than to rely on artificial lights. They proposed a meeting of the Presidents of the various Chambers to discuss the question with a view to adoption of uniform recommendations. Sir Badridas Goenka, President of the Chamber attended the meeting which was held on 6th March, 1941. The Provisional conclusions at the meeting were that a general representation might be made to the Government of Bengal by the Commercial community regarding Daylight Saving Scheme which would place Calcutta time one hour ahead instead of 24 minutes as at present, of the standard time and that with a view to have uniformity throughout India (which would facilitate any necessary revision of mail and other train timings in the event of the emergency conditions) enquiries should be made by the Government of Bengal to ascertain whether an all-India daylight saving scheme on these lines could be arranged. It was also provisionally decided that in addition to the foregoing, Calcutta Commercial interests may alter the business hours from 10 A. M.—5-30 P. M., to 9 A. M.—4-30 P. M. or atleast to 9-30 A. M.—5 P. M. The Committee considered the recommendations of the joint meeting and wrote to the Bengal Chamber that they were agreeable to the proposal of making a representation to the Government of Bengal urging them to consider the need of adopting a Daylight Saving Scheme as described above. The Committee were also agreeable to the suggestion that the Government of Bengal might be requested to ascertain whether an All-India Daylight Saving Scheme on these lines could be arranged. The Committee did not favour the proposal about alteration of business hours. The Bengal Chamber subsequently addressed a communication to the Government suggesting that a Daylight Saving Scheme might be introduced as soon as possible and the question of revising working hours for Calcutta Commercial establishments might also be reconsidered. The Committee thereupon addressed a letter to the Bengal Chamber on the 29th May, 1941, pointing out that they were not in favour of the second suggestion of the Bengal Chamber to the Government regarding the question of changing business hours.

**Lighting Restrictions Order.**—On the 26th May, 1941,

drawing his attention to clause 2 of the Lighting Restrictions Order which provided that no light should be used in buildings unless it was so placed that no direct or reflected ray of light was visible from any angle outside the buildings. The Committee stated that the public had not understood as to what was required under the Rule, and in order to give the public an idea of the shading they were required to have in their houses, a few specimen shades should be exhibited at various places in the city. The Committee addressed a further letter to A. R. P. Controller on the 31st May, 1941, pointing out that it would take some time for the public to get accustomed to restricted lighting and it was necessary therefore that the attitude of the police constables and the A. R. P. wardens in this connection should be one of advice and guidance. The A. R. P. Controller replied on the 16th June, 1941, stating that the authority responsible for administration of the Lighting Restrictions Order in Calcutta was the Commissioner of Police. He, however, understood that the suggestion of the Chamber regarding advice and guidance was actually observed in practice.

The Government of Bengal wrote to the Chamber on the 16th June, 1941, stating that the Lighting Restrictions Order had placed certain disadvantages on the carters of the city in view of the danger attendant to non-lighted or badly lighted carts. The Government suggested that the hours of the work of the carters should be so arranged as to relieve them before night fall. This was however only possible if the Railway companies and the Port Commissioners could be induced to open their goods sheds and godowns earlier in the morning and close them at 3-30 P.M. The Government further suggested that godowns belonging to private owners might also open earlier and might not deliver goods for transport after 4 P.M. The Government further wrote to the Chamber stating that they were informed that although a large number of carts arrived at the Port Commissioners depots before 10 A.M. to secure their place in the line, the sircars of importers did not start work before 10 A.M. The Government suggested that member importers of the Chamber might be advised to instruct their sircars to start work by 10 A.M. The Committee drew attention of members to the matter and they also wrote to Government on the 21st June, 1941, pointing



out that during summer months the carters were not allowed under Police Regulations to work from 12 noon to 3 P.M. for the bullocks had to be given rest during those hours. The Committee felt that during these months it would prove difficult for merchants if the godowns were closed at 3-30 P.M. The Committee also suggested that the Port Commissioners godowns might be opened at 8 A.M. till 4 P.M. and the godowns of private firms might be opened earlier and allowed to close at 5 P.M.

**Obscuration of street lights in Calcutta.**—In view of the considerable inconvenience and hardship experienced by the public on account of the obscuration of street lights in the city the Committee, along with other Chambers of Commerce, addressed a joint representation on the 19th June, 1941, to the Government of Bengal pointing out that the obscuration of street lights had been done to an extent much beyond the Government's intention and the streets therefore presented a totally dark appearance. This was greatly in contrast with the restrictions on lighting imposed in Bombay and Madras where also the street lights were obscured. The Government were requested to take immediate steps to see that street lighting was improved as soon as possible and that the same was at least up to the standard of bright moon-light. A copy of the representation was forwarded to the Chief Executive Officer, Calcutta Corporation for necessary action. The Corporation replied on the 25th June, 1941, stating that the matter was already under their consideration. Subsequently the standard of lighting in many parts of the city was improved.

**Obscuration of lights at the Howrah Station.**—The Committee addressed a letter on the 1st May, 1941, to the East Indian Railway drawing their attention to the inconvenience caused to passengers and the public at the Howrah station as a result of the lighting restrictions observed at the station. The General Manager of the Railway replied on the 6th May, 1941, stating that although the lighting was dim, it was nowhere dangerously inadequate, and as it was the standard of lighting which would have to be enforced when an emergency actually occurred it appeared to him to be better to get people used to it from now. He further stated that he was, however, getting the edge of the platforms and the foot

of the pillars whitewashed, and this, according to him, would make a great improvement. A further letter was thereupon addressed to the General Manager on the 7th June, 1941, pointing out that the Committee appreciated his view point but they found that the standard of lighting observed on other stations, for example, the Sealdah station in Calcutta, or the Victoria Terminus and the Central Station at Bombay, where also lighting restrictions were in force, allowed more light on the platforms than what was found on the Howrah station. The General Manager replied on the 5th July, 1941, stating that certain alterations were being made to the lamps at the Howrah Station in order to increase the intensity of illumination. The lighting standard at the Station was subsequently appreciably improved.

**Priority of attention to buildings in the event of Emergency.**—The Government of Bengal wrote to the Chamber on the 30th December, 1940, stating that they were considering the question of drawing up a list of buildings of public importance, the destruction of which would amount to a serious national calamity. It was pointed out that in the event of an air raid, a large number of fires would be started simultaneously, which would necessitate a decision being taken by the A. R. P. and the Fire Brigade authorities as to the order in which the fires should be dealt with. The Government desired that a list of buildings under the control of the Chamber which were considered to require priority of attention might be prepared and furnished to them. The Committee replied on the 13th January, 1941, stating that while the Chamber had no such buildings under their control, it was essential that a list as desired to be prepared should give priority firstly to buildings connected with public utility concerns such as water works, electricity plants etc. These should be followed by industrial concerns such as engineering concerns and jute and cotton textile mills.

**Building Wardens for A. R. P. Measures.**—The Assistant A. R. P. Controller forwarded to the Chamber on 31st January, 1941, a circular letter stating that business houses, shops, etc. might appoint one or more responsible employees as Building Wardens to advise on and control all A. R. P. measures in the

building. These persons would be trained at the nearest training centre, who would then be able to control and take necessary measures in their buildings without much assistance from the Chief Air Raid Wardens. The Committee issued a circular to members requesting them to communicate to the Chamber names of persons whom they desired to select as Building Wardens. Several names were received from members and they were forwarded to the A. R. P. Controller. The Assistant A. R. P. Controller further wrote to the Chamber on the 30th May, 1941, stating that arrangements had been made for the training course and members may be informed about the same. The details about the Course were conveyed to interested members.

**Stirrup Pumps to deal with fires caused by Incendiary Bombs.**—The Government of Bengal wrote to the Chamber on the 29th January, 1941, stating that the Government of India had intimated that in case of air raids the danger to industrial establishments from incendiary bombs would have to be met at once. It was therefore essential that industrial concerns should provide themselves with the requisite number of stirrup pumps to deal with the danger. The Government of Bengal requested the Chamber to circulate the information amongst members and to ask them to communicate directly with the Government for their requirements. A circular was accordingly issued on the 5th February, 1941.

**Propaganda regarding A. R. P.**—The Public Relations Committee wrote to the Chamber on the 9th May, 1941, stating that they were getting prepared some leaflets and other kinds of propaganda materials regarding A. R. P. duties for distribution amongst the household people. They felt that one of the best mediums of getting their message over to a large number of householders was through the office clerks. It was therefore proposed to hold meetings of employees in the various offices with the consent of employers and at the end of the same to distribute the pamphlets. The Committee replied on 22nd May, 1941, stating that it would be convenient if the meetings proposed to be convened were held in public places. The Public Relations Committee further wrote to the Chamber on the 24th May, 1941, requesting that members might be informed of their suggestion for holding meetings in connection with A. R. P. measures.

**Air Raid Exercises.**—The Government intended to have a series of Air Raid Exercises with a view to test the efficiency of the Air Raid warning system and to train A. R. P. personnel, Civic Guards, Police and others who had duties to perform during Air Raid as also to educate the public about their duties during Air Raid and they wrote to the Chamber on the 22nd June, 1941, enquiring if 3 P.M. on any day would be suitable for holding such exercises. The Committee replied stating that 3-30 P. M. on the 30th January would be preferable for holding the air raid exercise. The exercises were subsequently held on that date.

**Slit Trenches for labourers working in mills and factories.**—The Government of Bengal wrote to the Chamber on the 4th April, 1941, forwarding a copy of a circular indicating the method of construction of slit trenches. The Government suggested that such slit trenches might be dug in open places in the compounds of mills and factories under the control of the members of the Chamber for the protection of workers. The Committee replied on 24th April, 1941, stating that the suggestion made by the Government had been recommended to members of the Chamber. The Government of Bengal further wrote to the Chamber on the 6th June, 1941, enquiring whether the members of the Chamber had already commenced digging slit trenches and if so what progress had been made in the matter. The Committee replied on 14th June, 1941, stating that enquiries were being made from members and information collected and the same would be communicated to the Government as soon as possible. The information gathered was subsequently furnished to the Government.

**Devising ways and means to keep essential service workers at their posts during a period of emergency and propaganda about the effects of hostile air attack on the labour population of Calcutta.**—The Government of Bengal wrote to the Chamber on 15th August, 1941, that the question of devising ways and means to keep essential service workers *e.g.*, workers of public utility companies or workers employed in war factories, at their posts during a period of emergency had been under their consideration for some time past. The Government felt that to ensure normal functioning of these

services it was necessary to take certain extraordinary measures such as (1) those by which encouragement might be given, by the provision of certain advantages to men who had to remain at their posts during an emergency and (2) those by which compulsion could be applied.

Regarding (1) the Government stated that they had under their consideration the question of payment of a danger allowance to this class of workers and also of payment of some compensation to them or to their dependants in the event of death or injuries sustained as a result of enemy action. Regarding (2) it was proposed to take power by legislation or otherwise to prevent these workers from deserting their posts during an emergency. The Government also stated that as it would be difficult and dangerous during an raid, for the workmen to go out and obtain food for themselves, the question of some arrangement for providing them with meals might also be considered.

Regarding the question of propaganda about effects of hostile aerial attack on the labour population, the Government stated that they had been carefully considering the question of educating labourers in relation to arrangements that might have to be taken in the event of an aerial attack and while they appreciated that some propaganda had been done on the subject by certain firms, they were of the opinion that the time had come for more direct and intensive propaganda in the matter.

The matter was considered by the Committee and in view of the importance of the same a meeting of representatives of member-industrial-concerns and employers of labour was also held at the premises of the Chamber on the 4th September, 1941. In accordance with the recommendations of this meeting the Committee replied on the 13th September, 1941, to the Government stating that they were of the opinion that there should be no compulsion on employers to work their factories during a period of emergency irrespective of whether they desired to do so or not and that legislative provision with regard to compulsion for workers and or the payment of danger allowance should be applied only to workers of public utility concerns and munition factories. Regarding the provision of

free rations to workers unable to go out of the factory premises during air raids the Committee stated that while they felt that employers would naturally be willing to make some arrangements during such periods, they did not consider it practicable or desirable that any hard and fast rules should be laid down on this matter or that the provision of such ration should be enforced by law. It was further pointed out that working classes in India were composed of different castes and sub-castes who observed different scruples in the matter of food. Moreover all industrial concerns could not be considered on the same level as their resources differed considerably. Referring to the question of offering inducement to workers *e.g.*, payment of danger allowance, the Committee were of the opinion that it should be left to the discretion of employers in case they desired to work their factories during the period of emergency. The Committee, however, expressed the opinion that if the Government desired to make payments of danger allowance compulsory the extra expenditure should be borne by the Government themselves. Regarding the question of intensive propaganda to impress upon the workers the desirability of not leaving their posts during a period of emergency, the Committee felt that there was danger of such propaganda having an adverse effect of scaring away labourers even before the period of emergency arose and the matter should therefore be left to be managed by the employers at their discretion.

The Government of Bengal further wrote to the Chamber on the 11th November, 1941, stating that the Hon. the Home Minister was desirous of discussing the question with the representatives of the various Chambers, and the Chamber might therefore send their representatives to attend a conference convened for the purpose.

The Committee nominated Messrs. D. Khaitan and M. G. Bhagat to attend the conference on behalf of the Chamber. The following suggestions were made by them at the conference :—

- (1) That the Government should prepare the necessary placards, posters and handbills and send them to the Factories leaving it to the judgment of each Factory as to how far and how much propaganda work should be done in the Factory area itself.

- (2) A Central Committee should be formed to devise ways and means with powers to form Local Committees so that collective efforts may be made in different areas.
- (3) Substantial steps should be taken to create confidence among the workers that they as well as their kith and kin would be properly protected. The Marwari Chamber of Commerce and the Bengal National Chamber of Commerce generally supported the above views.

The Secretary to the Government stated that the Government would go into the matter very carefully and would further communicate with the Chamber in the matter.

**Petrol Rationing.**—On the promulgation of the Petrol Rationing Order by the Government of India, the Committee addressed a telegram on the 5th August, 1941, to the Government strongly protesting against the Rationing scheme which they pointed out was unduly harsh and was bound to cause considerable inconvenience to the public. The basic rations fixed under the Rationing Order, it was stated, were extremely low particularly for a city like Calcutta with its long distances between residential quarters, business centres and industrial areas. For most owners and users, it was further stated, the motor car was an essential aid to speedy and efficient conduct of business and undue restriction on petrol supplies was, therefore, bound to affect adversely business and industrial activity and would also to that extent hamper war work. The Committee therefore emphasised the necessity of Government issuing instructions to rationing authorities to grant supplementary rations liberally.

The Committee further discussed the question with the Hon'ble the Commerce Member when he met the Committee of the Chamber. The attention of the Hon'ble Member was drawn to the difficulties business firms and industrial concerns would suffer under the scheme. After the Petrol Rationing Order came into force a detailed communication was also addressed to the Area Rationing Authority Calcutta on the 28th August, 1941, drawing his attention to the serious inconvenience and difficulties experienced by businessmen and merchants on account of the

allotment of very low basic rations. It was emphasised that in the interest of speedy and efficient conduct of business it was essential that supplementary rations were granted liberally to businessmen and merchants.

A further letter was addressed to the Government of Bengal on the subject on the 8th September, 1941, pointing out that it appeared that the manner in which grants of supplementary ration coupons were being made was not quite satisfactory and that the allotment of rations was rather erratic. The Committee also requested the Government to approach the Central Government to increase the petrol quota granted to Bengal, in view of the recent statement made by the Provincial Rationing Authority that the basic rations in Bengal absorbed 86% of the Petrol quota of the Province, leaving only 14% for supplementary rations.

The Committee addressed a further letter on the 21st November, 1941, to the Government of Bengal on the subject pointing out that on account of the stringent rationing of petrol and consequent inadequate supplies of the same, many industrial and business concerns were experiencing considerable difficulties and it was necessary, therefore, that the Government instructed the Area Rationing Authority to issue supplementary rations liberally to businessmen. The Committee also stated that they were given to understand that in Bombay and Ahmedabad businessmen were being allotted a minimum of 24 gallons of petrol including supplementary ration per month and though they were not in a position to say how far this information was correct, they felt that in case it was so, the Government should take steps to instruct the Area Rationing Authority in Calcutta to fix the minimum for business in Calcutta also at 24 gallons per month. The Government of Bengal replied on the 2nd December, 1941, stating that the Area Rationing Authority was instructed by the Government to meet reasonable requirements of all essential services. They further pointed out that if any person was not satisfied with the allotment made by the Area Rationing Authority concerned, he might prefer an appeal in writing, explaining the full circumstances of the case, to the provincial Rationing Authority. The Government added that from the very nature of the scheme it was obvious that no minimum could be fixed for any large class of consumers.



**Requisitioning of Boats for War Purposes.**—A member firm of the Chamber sometime back received a letter from a person signing as “Member of the Naval Committee”, informing the firm that their boat was requisitioned for war services. The Committee thereupon addressed a letter on the 16th October, 1941, to the Senior Naval Officer, enquiring as to what the “Naval Committee” was and what were its functions. The Committee also desired to be enlightened as to whether the naval Committee or any member thereof was authorised to requisition boats for war services. The Naval Officer-in-Charge, Calcutta, replied on the 17th October, 1941, stating that a scheme was in operation to acquire barges for use of his Majesty’s Government. He further stated that till now requisitioning had not been necessary as all the barge owners had co-operated to assist him in carrying out his instructions through the medium of a Committee which consisted of representatives of all barge owners in Calcutta. This Committee, he stated, functioned only in an Advisory capacity to him without any official status. The person who had requisitioned the boat of the member firm of the Chamber, it was further stated, was a representative member of this Advisory Committee nominated by a majority of Indian barge owners, and his letter was intended not as a requisitioning order but only as a request. The Naval Officer further stated that he had addressed that person also on the subject. The Committee, however, felt that the letter received by the member firm was not happily worded and did not appear to be in the nature of a request to the party. A reply to this effect was sent on the 13th January, 1942 to the Naval Officer-in-charge.

**Requisitioning of Motor Vehicles.**—The Committee addressed a letter on the 14th October, 1941, to the Commissioner of Police enquiring about the details of the scheme for the requisitioning of motor vehicles for use during a state of emergency. It was pointed out that interference with the Transport facilities of commercial and industrial concerns would dislocate trade and business and hamper their production and would, therefore also affect the effort of the concerns engaged on war work. The Deputy Commissioner of Police replied on the 27th October, 1941, stating that the requisitioning of motor

vehicles had been laid down under Rule 89 (d) of the Defence of India Rules. He further pointed out that in selecting the vehicles every endeavour was made and would be made to exempt vehicles which were being used by industrial concerns engaged on war work.

**Suitability or otherwise of the time of work followed at present.**—The Director of Public Health, Bengal, wrote to the Chamber on the 26th April, 1941, pointing out that as the present working hours between 10 A.M. and 5 P.M. were not conducive to the output of the maximum amount of work and resulted in economic loss, the period of working hours may be changed to 7 A.M. to 12 noon during Winter months and 6-30 A.M. to 11-30 A.M. during Summer. Views of the Chamber having been invited the Committee after considering the question replied on the 2nd August, 1941, that while they agreed with the suggestions in principle, they felt that a number of difficulties would have to be faced in bringing the same into practice. For instance, very large number of persons coming to work in the local offices from distant suburbs would be greatly inconvenienced especially if they were required to come to office in the morning and again in the evening. Moreover the office timings depended upon a number of factors such as the timings of delivery of mails, arrival of mail trains, working hours of Government offices and Law Courts etc. The Committee felt that unless a comprehensive scheme including all these factors was devised the scheme would hardly be practicable.

**Decentralised General Hospitals.**—The attention of the Committee having been drawn to a scheme initiated some time back by the Government of Bengal for providing one Medical School and Hospital for each division of the Province with a view to decentralising General Hospitals and Medical Schools so as to avoid congestion in the Calcutta Hospitals, a letter was addressed to the Government of Bengal enquiring about the particulars of the same. The Government of Bengal replied on the 17th November, 1941, stating that the essential requirements for the establishment of Medical Schools in Bengal were :—

- (1) The Sadar Hospital must be enlarged to provide at least 100 beds and brought up to the standard of efficiency required for teaching institutions.

- (2) Necessary provision should be made for its recurring charges by the Hospital Authorities.
- (3) Substantial local contributions must be made towards the capital cost of the schools.

The Government stated that it was decided that if the above conditions were complied with, they would consider the question of undertaking the responsibility for the balance of the capital and whole of the recurring expenditure of the schools. It was further stated in the letter that Medical Schools had been established in central places of all divisions on the fulfilment of the above conditions, and they were already providing increased facility of Medical Education, and more medical relief to rural areas and turn out every year batches of trained licentiates to practise in these areas.

**Disseminating knowledge about Nutrition value of foods and preservation of health.**—On the 28th April, 1941, the Committee addressed a letter to the Government of Bengal regarding necessity of disseminating knowledge among the people in the province about nutrition value of foods and preservation of health on an organised basis. The Committee pointed out that it was wellknown that many of the diseases resulted from malnutrition or were due to disregard of the principles of proper nutrition and hygiene. Apart from the very poor people who were unable to make the two ends meet, most of the people who could afford to pay for balanced diet suffered on account of want of knowledge as to what diet they should take. The Committee felt that efforts should be made by the Government to spread knowledge among the people in this matter and it was necessary for this purpose to launch a well-planned health education campaign throughout the province in order to instruct people as to what articles should form their daily menu and as to how they should live so as to prevent themselves and their neighbours from falling a prey to diseases.

**Discriminatory treatment accorded to Indian Passengers at the Port Commissioners' Ferry.**—The Committee addressed a letter on the 26th July, 1941, to the Commissioners for the Port of Calcutta drawing their attention to the discriminatory treatment accorded to Indian Passengers at the Port Commissioners'

ferry plying between Howrah and Calcutta during the hours the Howrah bridge was closed for traffic. Reference was made to a case where the Sergeant supervising entry into the ferry had refused admission to Indian passengers to the boat on the plea of overcrowding although at the same time some European and Anglo-Indian passengers were allowed to get into the boat. It was also pointed out that the behaviour of the Sergeant was also rude and impolite. The Port Commissioners referred this matter to the Deputy Commissioner, Port Police who replied on the 22nd July, 1941, stating that there was no such discriminatory treatment and the principle involved was that those who arrived after the boat was full, had to wait until the next boat was ready. The Committee thereupon addressed a further letter to the Deputy Commissioner pointing out that the principle stated by him in his letter dated the 2nd August, 1941, was hardly carried out in practice as was borne out by the case referred to by the Committee. The Deputy Commissioner was requested to see that the principle referred to by him was observed in actual practice and that cases of such discriminatory and insulting treatment were not repeated. He replied on the 7th August, 1941, stating that all concerned had been warned and strict action would be taken if the orders were violated.

**Behaviour of Police Sergeants towards members of the public.**—The attention of the Committee having been drawn to a case noticed by a member of the Committee in which a Police Sergeant stopped a pedestrian and struck him with a stick in order to make the latter walk on the foot-path instead of on the road, they addressed a letter on the 27th August, 1941, to the Commissioner of Police, Calcutta, giving details of the case and pointing out that even if a member of the public was at fault with regard to Traffic Rules or otherwise the Police Sergeant had no right to strike him but should have dealt with him according to law. The Committee emphasised that the Sergeants should consider themselves as public servants who were to help the public in observing the law. It was also pointed out that such instances were liable to create resentment in the public mind against the police. The Committee requested the Commissioner to enquire into the matter and warn the persons concerned as also to take such action as might be necessary to ensure that such

instances were not repeated. The Committee also enquired from the Commissioner of Police as to whether any Indian had been admitted to the "Special Constabulary" to which certain members of the European Community had been admitted and whether there was any proposal to do so. The Commissioner of Police replied on the 6th September, 1941, stating that he agreed with the Committee that the police had no right to beat members of the public. He however requested for further particulars of the incident referred to by the Chamber. As regards enlistment in the Special Constabulary, he stated that Indians had not been included on account of certain reasons but they were admitted to the rank of Civic Guards, who were of the same grade as the former. The particulars desired have been forwarded to him.

**Traffic Arrangements before Cinema Houses.**—On the 30th April, 1941, the Committee addressed a letter to Rai Bahadur K. N. Khandelwal, Representative of the Chamber on the Traffic Advisory Committee to the question of traffic control in front of cinema houses in the city. The Committee pointed out that whereas previously at the end of the show the Police allowed private cars to approach the main gate of the theatres so that people coming out could easily get into their cars, they were not allowing private cars now to come in front of the main gate. The Committee stated that this caused unnecessary inconvenience to car-owners in that they had to move about and find out where their cars were parked. The Committee requested him to take up the matter with the Traffic Advisory Committee. Rai Bahadur Khandelwal replied on the 30th May, 1941, stating that the matter was discussed and he was informed by the Deputy Commissioner of Police that the Rule had been in existence for a long time that when the show was over private conveyances should not be allowed to drive before the front gates because they made the congestion worse. On the matter being pressed further by Rai Bahadur Khandelwal the Board decided that those who wanted their cars to be brought before the Gate might wait till such time as the congestion was over, when the Sergeant on duty would allow their cars to drive up in front of the main gate.

**Regulation of Traffic at Shambazar Crossing.**—On the 30th April, 1941, the Committee addressed a letter to the

Commissioner of Police drawing his attention to the necessity of regulating the traffic at Shambazar Crossing. The Committee pointed out that although several routes converged at that crossing and consequently the traffic remained very heavy, there were no adequate arrangements for traffic control. The Committee also addressed a letter to Rai Bahadur K. N. Khandelwal, Representative of the Chamber on the Traffic Advisory Committee on the 30th April, 1941, drawing his attention to the matter and requesting him to take up the same at the next meeting of the Traffic Advisory Committee. Rai Bahadur Khandelwal replied on the 30th May, 1941, stating that the inadequacy of traffic arrangements at the Shambazar Crossing was discussed at a meeting of the Traffic Advisory Committee and he was assured that the Secretary of the Board would give his attention to the matter and make necessary arrangements.

**Proposed one-way traffic in clock-wise direction in Dalhousie Square.**—The Commissioner of Police wrote to the Chamber on the 22nd February, 1941, stating that he felt that a time had arrived when one-way traffic in a clock-wise direction should be started around the Dalhousie Square. He stated that it was proposed that the traffic (with the exception of tramway traffic) in the Dalhousie Square should move in a clock-wise direction. The Committee replied on the 10th March, 1941, stating that they considered the matter and were agreeable to the proposal.

**One way traffic in Church Lane, Hastings Street and Old Post Office Street.**—The Commissioner of Police, Calcutta, invited the views of the Chamber on two schemes which were under his consideration for one-way traffic in Church Lane, Hastings Street and Old Post Office Street. The first scheme would make Old Post Office Street 'one way' from South to North, Hastings Street (from Church Lane to Council House Street) 'one way' from west to east, and Church Lane 'one way' from north to south. The second scheme would make Hastings Street, 'one way' from east to west throughout its length, Old Post Office Street 'one way' from north to south, and Church Lane 'one way' from north to south.

The Committee informed the Commissioner of Police on the 31st July, 1941, that it would serve the purpose if only the Old

Post Office Street were made a one way traffic street, since this would lessen the congestion to a considerable extent. If it were, however, decided to make all the three streets one way traffic streets, the Committee stated that they would prefer the first scheme.

**Limitation of issue of monthly tickets by the Calcutta Tramways Co., Ltd.**—Learning that the Calcutta Tramways Co., Ltd. had decided to impose restrictions on the issue of monthly tickets especially the all-section tickets, the Committee addressed a letter on the 13th September, 1941, to the Company pointing out that on account of petrol rationing a much larger section of the public had become dependent on the tramway services and if benefit of the same was curtailed by restricting issue of monthly tickets it would result in unnecessary hardship to the public. It was also stated that at such a juncture the Tramways Company should provide more facilities to the travelling public rather than restrict those which were existing. The Tramways Company replied on 17th September, 1941, stating that the number of monthly tickets issued by them had in no way been restricted compared with the number issued for some considerable time past. All passengers who previously held monthly tickets were still able to obtain the same on application for renewal within the correct date at the Head Office of the Company. In addition to continuing the issue of existing tickets an additional number had been issued but in the interests of the travelling public and of the holders of the monthly tickets it had become necessary for them to limit the number of extra tickets issued. They also stated that every endeavour had been made to speed up the services and also to put on the maximum number of cars available to deal with the increased traffic. They, however, pointed out that while they appreciated that certain amount of hardship was caused to individuals who previously used bus services or who were restricted in the use of their own cars by the Petrol Rationing Scheme, it would not be prudent to issue additional monthly tickets beyond a desirable limit.

**Difficulties Experienced by the Evacuating Public at the Howrah Station.**—Immediately following the declaration of War by Japan there was a large voluntary exodus from Calcutta,

particularly of women and children and of those male members who had no essential business to stay in Calcutta. With the rush of passengers thus increasing numerous complaints were received almost hourly from members regarding difficulties experienced by the people desiring to leave Calcutta. The complaints related mainly to (1) want of accommodation, (2) Harassment by Police, (3) Harassment by Railway staff in the matter of (a) booking of luggage and (b) entry to platforms, (4) Difficulty regarding reservation of seats, (5) want of proper guidance on the platform and (6) insufficient lighting arrangements at the Howrah station.

On the morning of the 17th December, 1941, this question was raised by the representatives of the Chambers of Commerce at the Informal Quarterly Meeting which was scheduled to be held that day. On the same day, a joint letter on behalf of the various Indian Chambers of Commerce namely the Bengal National, the Indian, the Muslim and the Marwari Chambers and the Marwari Association was addressed to the General Managers of all the three railways in Calcutta requesting them to take immediate action to remove the grievances of the public. Meanwhile, as a result of the discussion at the Informal Quarterly Meeting, the General Manager, E. I. R., asked the representatives of the Indian Chamber and the Marwari Chamber to see him again to discuss the matter with him in detail. The representatives accordingly met the General Manager and made certain suggestions in order to remove the difficulties, *e.g.*, the running of special trains, provision of further booking facilities, allowing volunteers on the platform to guide people etc.

As a result of the Joint representation submitted on the 17th December, 1941, to all the General Managers a meeting of the three General Managers and the representatives of the various Chambers was held on the 20th December, 1941, at which also various suggestions as per above were made. Meanwhile another joint communication on behalf of the Chambers was addressed to the General Manager, E. I. R., on the 18th December, 1941, suggesting to him to convene an urgent meeting of the Local Advisory Committee to discuss the situation. The Committee also addressed telegrams to the Railway Board on the 18th and 24th December, 1941, emphasising that pending declaration of a



state of emergency by the Government of Bengal, it was essential that the Railways should provide ample accommodation and adequate facilities for voluntary exodus of women and children from Calcutta. The Committee also pointed out the harassment caused to passengers by the malpractices followed by the Railway Staff and irregular demands made by the coolies. As a result of these representations the E. I. Rly., started certain duplicate and special trains to carry the large number of passengers leaving Calcutta.

The Committee also addressed a letter on the 19th December, 1941, to the Commissioner of Police, Calcutta, drawing attention to the great congestion on the approaches to the Howrah Bridge and on the Bridge itself during this time. It was pointed out that the approaches to the Bridge were so much crowded that very often it took more than an hour for a vehicle to proceed towards the Bridge. In view of the emergency that had arisen and the rush for evacuation, the Committee requested the Commissioner of Police to take immediate action so that the congestion on the approaches to the Bridge might be lessened. The Commissioner of Police, Calcutta, soon issued an order declaring that only one way traffic towards Howrah Bridge would be allowed on the Harrison road, which is one of the main approaches to the Howrah Bridge.

**Indian Evacuees.**—The Chamber received a cable dated the 4th October, 1941, from the Presidents of the Indian Chamber of Commerce, Kobe and the Indian Association in Japan intimating that 237 Indian evacuees from that country had left for India on board the s. s. "ANHUI". The Chamber was requested to make the necessary arrangements for the evacuees. The Secretary and the Assistant Secretary of the Chamber thereupon went to Outram Ghat and to Diamond Harbour when the ship arrived, and alongwith the authorities concerned and representatives of certain other bodies, received the evacuees and personally saw to their convenience. They helped the evacuees in passing through the customs formalities and arranged for transporting their luggage. Some of the evacuees were also provided with free lodging and boarding by the Chamber along with other bodies. The President of the Indian Evacuees Committee, the Government of Bengal and the Commissioner of Police, Calcutta,

subsequently wrote to the Chamber expressing their sense of thankfulness and gratitude for the services rendered by the Chamber to the evacuees.

The Committee have also decided to render similar assistance to the Indian refugees from Malaya, Singapore, Burma and other parts.

**Communal Riots in Dacca.**—On the 22nd April, 1941, the Committee addressed a letter to the Government of Bengal drawing their attention to the unfortunate communal riots at Dacca and the consequent dislocation of business resulting therefrom. The Committee stated that apart from the considerable loss of life and property, business in the town and its vicinity had been practically brought to a stand still and the unsafe conditions prevailing in the locality had resulted in loss of confidence amongst the business community. The Committee further stated that in spite of the Government adopting some measures to bring the situation under control the sporadic rioting still continued and this had shaken the morale of the population. The Committee felt that as long as riots were not completely stopped it would be very difficult to restore normal business conditions. The Committee requested the Government to take immediate and adequate steps to stop completely the stray cases of assault which were still being reported and to take all possible measures to establish normal conditions so as to restore business confidence.

The Committee received a letter some time back from the Dacca Chamber of Commerce which drew attention to the gravity of the situation in Dacca and the complete dislocation of the business in the city due to the recrudescence of the communal trouble. The Committee in reply fully sympathised with the difficulties of businessmen in Dacca, but felt that the proposal to observe a mourning day in connection with the riots was not feasible. A letter was, however, addressed to the Chief Secretary to the Government of Bengal, by the Committee in this connection drawing attention to the serious situation in Dacca and urging on the Government to take immediate and effective measures to remove the Communal tension so that normal life and business activity could be resumed.

A reply has now been received from the Government of Bengal that they have already promulgated an Ordinance and are contemplating introduction of a new measure of legislation giving adequate powers to control the situation.

**Constitutional Deadlock.**—In reply to a statement issued by the Bengal Chamber of Commerce on behalf of British Commercial interests on the constitutional deadlock in the country, the Committee issued a statement on the 13th May, 1941, pointing out that the attitude disclosed by the British Commercial organisation even at this critical juncture in the history of the British Commonwealth was certainly not conducive to creating the necessary goodwill and spirit of co-operation and partnership between Britain and India, by resolving the existing deadlock in their mutual interests and for achieving a common objective. Such an attitude could only be characterised as one of positive disservice to the common cause. The Committee further stated that representatives of British Commercial interests had time and again declared that they had nothing to do with politics and were only interested in their business but it was obvious that this abstinence from politics consisted only in refusing support to the legitimate aspirations of their Indian fellow countrymen and did not come in the way of their taking active steps for the perpetuation of their own privileges and in supporting the policy of the British Government, however unsatisfactory and reactionary it might be. The existing commercial safeguards in the Constitution, the Committee pointed out which were all comprehensive, rigid and unparalleled were a glaring illustration of the length to which British Commercial interests in India could go by imposing shackles on the rights and powers of the Indian legislature and Government. The Committee regretted that the British Commercial community in India as a whole had not only been not helpful to the constitutional and political progress of the country but had on the contrary throughout the last thirty years only tried to hamper, impede and restrict it and had on critical occasions given a wrong direction and lead to their British compatriots and authorities in England.

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## LAW AND LEGISLATION.

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### **Indian Merchandise Marks ( Amendment ) Bill, 1940.—**

On the 31st January, 1941, the Committee addressed a letter to the Government of India referring to the Indian Merchandise Marks ( Amendment ) Bill, 1940, which was being considered by the Select Committee of the Central Legislative Assembly. The Committee stated that while they appreciated the object of the proposed provision in the Bill that the Central Government might on application and after enquiry issue a notification requiring certain goods to show an indication of their country or place of origin, they felt that the object of preventing foreign goods being passed off as Indian could be achieved only if immediate action could be taken to check such imports and it was likely that before the formalities of an application and an enquiry by the Government and the issue of a notification were over, large quantities of such goods might be imported into the country and the very object of the provision might be defeated. The Committee suggested that it should be definitely provided in the Act therefore that all goods imported into the country should bear a clear indication of the country of origin and the Central Government might only specify such goods which might not bear such marks. The Committee also emphasised that arrangements should be made with the Indian maritime states to ensure that the requirement about stamping of the country of origin was observed in regard to goods directly imported by those States as there was a possibility of foreign goods being brought into British India through Indian States falsely showing that the goods were manufactured in that particular State.

**Madras Port Trust (Amendment) Bill, 1941.—**On the 21st May, 1941, the Government of Bengal forwarded to the Chamber a copy of the Madras Port Trust ( Amendment ) bill and invited the opinion of the Chamber on the same. The objects and reasons of the Bill stated that the constitution of the Board of Trustees to the Port of Madras was last revised in 1923 and as the circumstances had since changed, a further revision was thought necessary. Under the Bill four seats

were assigned to European Commercial Interests and four seats were provided for the Indian Commercial Interests. One seat had been proposed for the representative of Labour and of the remaining seats one was filled up by a nominee of the Government of Madras. The Committee addressed a letter to the Government of Bengal stating that they were glad to note that the Government of India had taken action to revise the constitution of atleast one Port Trust in the country. The Committee pointed out that the Chamber along with the Federation of Indian Chambers of Commerce had been since long pressing for a revision of the constitutions of the major Port Trusts in the country with a view to accord increased representation to Indian Commercial Interests on the Port Trusts. The Committee stated that the proposals forwarded by the Government of India for the revision of the Madras Port Trust Act were not satisfactory. The Committee further stated that the public and the Indian Commercial Community had always insisted that important public bodies like the Port Administrations should be entirely under the control of the nationals of the Country. The Committee pointed out that the incomes of some of the major Port Trusts were larger than that of some of the provinces and the Port Trusts therefore necessarily enjoyed extensive powers of patronage by way of appointments as also purchase of stores, etc., but as the administration of the Ports had been in the hands of Non-Indians, the interests of Indian Nationals had often been overlooked and ignored. The Committee were further not agreeable to accept the principle laid down by the Hon'ble Member for Communications while introducing the bill that the Representation of Commercial Interests on the Port Trusts should roughly be on the basis of the direct interest of such interests in the export and import trade of the Port. The Committee however pointed out that since the Port Trusts Act had been put on Statute the proportion of the trade handled by Indian and European Communities had completely changed. The Committee felt that the proposal under the bill to grant equal representation to Indian and European Commercial interests was hardly equitable as the Committee learned that 75% of the Export trade and not less than 90% of the

Import trade at the Port of Madras was handled by Indian merchants. The Committee further pointed out that although the bill sought to give equal representation to Indian and European Commercial interests, the net result of the arrangement would still be that a European majority on the Madras Port Trust Board would be assured on account of the Representatives on the Board of such interests as Railways and Customs being generally Europeans.

**Workmen's Compensation (Bengal Amendment) Bill, 1941.**—On the 18th April, 1941, the Government of Bengal forwarded to the Chamber a copy of the Workmen's Compensation (Bengal Amendment) Bill, 1941, and invited the opinion of the Chamber on the same. The Bill provided for the appointment of an official medical referee to whom any medical question in dispute between employers and workmen might be referred to by the Commissioner of Workmen's Compensation for report and whose report should be binding on both the parties. The measure was intended to do away with the usual practice of calling private medical practitioners by both employers and Workmen to give verbal vidence on the point under dispute and the necessity of engaging medical assistance by the Commissioner for Workmen's Compensation. The Government stated that the proposal would considerably decrease expenditure on both sides and also shorten considerably Workmen's Compensation proceedings. The Committee replied on 1st May, 1941, stating that while they were agreeable to the proposals of the Government on the subject they were of the opinion that the Panel of Medical referees as provided in the Bill should be appointed in consultation with the different Chambers of Commerce. The Committee pointed out that such a procedure would ensure full confidence of a large number of employers in the medical referee whose report was to be final and binding on both parties.

**Proposed amendment of Section 277F of the Indian Companies' Act—Definition of Banking Companies.**—The Government of India wrote to the Chamber that owing to the difficulties experienced about the interpretation of the definition of "Banking Companies" given in Section 277F, of the Indian Companies' Act, 1913, as to whether or not a Company was a 'Banking Company', the Government proposed to amend Section

277F by inserting an explanation to the effect that any Company which used as part of its name the word "Bank", "Banker" or "Banking" shall be deemed to be a 'Banking Company', irrespective of whether the Business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order was its principal business or not. The Committee considered the proposed amendment and replied on the 6th November, 1941, stating that they were agreeable to the same but would suggest that some simple procedure should be prescribed to enable Companies having the word 'bank' or 'banking' in their names but not desirous of registering themselves as banks, to change their names without undue delay.

**Draft Trade Marks Rules.**—Apropos a Press Report that the Commerce Member had gone to Bombay to discuss the Draft Trade Marks Rules, with the Commercial Interests at Bombay, the Committee addressed a telegram to the Commerce Member on the 9th April, 1941, suggesting that Calcutta might also be included in his itinerary for discussion of the procedure and Rules to be framed under the Trade Marks Act. The Committee stated that the Calcutta Commercial Community represented both textile and non-textile marks and it was necessary therefore that the Commercial Community in Calcutta were also consulted before the Draft Rules were published. The Government of India replied on the 28th April, 1941, stating that the Draft Rules would be published in the Gazette of India for information of all persons likely to be interested and objections or suggestions which might be received from any person with regard to the same would be taken into consideration by the Government of India. The Government further stated that under the circumstances there would be ample opportunity for the Chamber to make suggestions before the Rules were brought into effect. The Committee thereupon addressed a further letter to the Government of India on the 4th June, 1941, stating that they were aware of the fact that the Draft Rules would be published in the Gazette of India and views invited on the same. What they wanted to refer to however was consultations with Commercial Interests before the Draft Rules were published. While the Committee appreciated this procedure they felt that there was no reason why the discussions should be held at

Bombay alone. The Government of India replied on the 27th June, 1941, stating that they intended to bring the Trade Marks Act into force as early as possible and it was regretted that there was hardly any time now for consultations with the trade interests in Calcutta on the subject. The Government added that the Draft Rules would be published soon for criticism. The question was also discussed when the Committee met the Hon. the Commerce Member on the 8th August, 1941.

**Bill to provide for grant of Weekly holidays to persons employed in Shops, Commercial Establishments, Restaurants, Theatres, etc.**—On the 29th November, 1940, the Government of Bengal forwarded to the Chamber a copy of the draft Bill prepared by the Government of India to provide for the grant to weekly holidays to persons employed in Shops and commercial establishments, Restaurants, Theatres, etc. It was pointed out that the proposed Bill would be an all-India Legislation which if applied would be in addition to the Provincial measure and not in derogation of that. The Government invited the views of the Chamber on the same. The Committee replied on the 28th January, 1941, submitting their views on the various provisions of the Bill. Regarding clause 3 of the Bill which provided that every shop and commercial establishment shall remain entirely closed on Sundays or such other day of the week in lieu of Sunday as in respect of such shops and commercial establishments may be fixed by the Provincial Government by a special order, it was pointed out that instead of the Government fixing a particular day as a holiday, it would be better if it was left to the option of the shop owner or the proprietor of the commercial establishment as in the Bengal Shops and Establishments Act. Regarding clause 5 which provided that the Provincial Government may require shops and commercial establishments, etc. to close at 1 O'clock in the afternoon, on a week day in every week in addition to the full holiday provided for, it was pointed out that instead of requiring shops, commercial establishments, theatres, etc. to close at a particular time, that is at 1 O'clock in the afternoon, option should be left to the proprietors in the matter so that they may close their shop or office for half day either during the first half of the day or during the later half.



The Committee were also of the opinion that an option should be given to the proprietors of these concerns either to close the shops altogether for the half day or to work the full day with half the compliment of the employees each shift.

**Draft Rules under the Bengal shops and Establishments Act.**—The Government of Bengal forwarded to the Chamber a copy of the Draft Rules under the Bengal Shops and Establishments Act on the 7th January, 1941, and requested the Chamber to send their opinion on the same. The Committee replied on the 25th February, 1941, suggesting certain amendments in the proposed Draft Rules. In Rule 6 which laid down the method of inspection and provided that the Inspector shall if he found during his inspection any deviation from the provisions of the Act pass such orders or make recommendations for remedying or removing the defect, it was pointed out that the powers proposed to be granted to the Inspectors were beyond those contemplated in section 16 of the Act. In Rule 7 which proposed that all registers to be maintained should be in English or Bengali or Urdu or Hindi and all dates entered into the Register should be in accordance with English calendar, it was suggested that it would be a great facility to the employers if they were allowed to make entries of dates in the Register in accordance with the calendar which they observed. Regarding Rules 11 and 12, it was pointed out that an entry relating to number of hours and overtime work and additional wages due in Form 'C' was superfluous as far as commercial establishments were concerned and similarly some columns in Form 'D' were also pointed out to be redundant. In Rule 14, it was pointed out that the provisions of the Rule exceeded the facilities for leave envisaged in section 12 of the Act and it was necessary therefore to modify the same.

**Definition of 'SHOP' in Bengal Shops and Establishments Act, 1940.**—The Committee addressed a letter to the Government of Bengal on the 7th May, 1941, inviting their attention to the definition of the word 'Shop' given in Sub-section 12 of Section 2 of the Bengal Shops and Establishments Act. The Committee pointed out that the definition of the word 'Shop' as given in the sub-section included premises used wholly or in part for the wholesale or retail sale of commodities or

articles either on cash or on credits". The Committee pointed out that while the definition excluded specifically commercial establishments from being classed as shops the present definition of the term left room for doubt as to whether a certain establishment would be classed as a shop or a commercial establishment. The Committee requested the Government to take steps to amend the definition of the word "shop" in the Act so as to include only such places as those where goods were actually stocked for the purpose of sale whether retail or wholesale and for delivery therefrom. The Committee also suggested that it should be made clear that mere keeping of samples would not bring an establishment under the category of shop. The Government of Bengal replied on the 9th May, 1941, stating that the matter was receiving their attention. The Government replied on the 26th August, 1941, stating that they considered the definition of "Shops" under the Bengal Shops and Establishments Act, 1940, satisfactory for practical purposes and that premises used merely for the storage of goods or stocks or for samples did not, in the opinion of the Government, constitute shops.

**Privilege Leave under the Bengal Shops and Establishments Act, 1940.**—Section 12 of the Bengal Shops and Establishments Act, 1940, provides that "after every twelve months continuous employment" an employee in a shop, commercial establishment or establishment for public entertainment or amusement shall be entitled to "privilege leave on full pay for a total period not exceeding 14 days". The Committee, in this connection, addressed a letter dated the 24th October, 1941, to the Government of Bengal enquiring as to whether the 12 months' period of "continuous employment" was to be taken from the date on which the Act came into force *i.e.*, 1st April, 1941, or from the date of employment in the case of each employee. A reply dated the 15th November, 1941, was received from the Government of Bengal but as the same was not clear, a further letter dated the 20th November, 1941, was addressed to the Government seeking clarification on this point. A reply dated the 3rd December, 1941, was received from the Government stating that under Section 12 of the Bengal Shops and Establishments Act, 1940, an employee earned 14 days' privilege leave on full pay on the 1st April, 1942, *i.e.* after 12 months' continuous

employment from the date of coming into force of the Act. There was however, the Government stated, no objection to the grant by mutual arrangement of such leave in broken periods or in advance against leave to be earned by subsequent service. Employees who were already in service before 1st April, 1941, the Government stated, might also be allowed the benefit of any leave which they might have earned under the rule or practice in force prior to the coming into force of the Act.

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## FINANCE.

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**Budget Proposals of the Government of India for the year 1941-42.**—On the 10th March, 1941, the Committee addressed a detailed letter to the Government of India expressing their views on the Budget Proposals of the Government of India presented by the Hon'ble the Finance Member to the Central Legislative Assembly. The Committee stated that while they appreciated that military considerations were bound to influence the finances of the Government to an appreciable extent at a time like the present, they regretted, that the defence expenditure, which even at normal was admittedly at a very high level considering the general economic development of the country, had almost been doubled during the last two years. The Committee stated that ever since the war started in September, 1939, the Indian tax payer in general and the commercial community in particular had been burdened with increasingly heavy taxes both direct and indirect. It was estimated that during this year and a half the burden of taxation had already been increased by about Rs. 25 crores. The Committee referred to the proposal of the Hon'ble the Finance Member to increase the rate of the Excess Profits Tax and of the surcharge on income-tax and super-tax with a view to raise a sum of Rs. 440 laks and pointed out that if the Hon'ble Member had recommended economy in the civil expenditure of the Government and had estimated receipts from revenue at their proper level, the necessity of imposing additional burden on trade and industries in general in order to raise this sum would not have arisen.

The Committee regretted that while the taxpayer had been burdened with enormously increased taxes ever since the war started, the Government of India far from taking any steps to reduce their own top-heavy administrative expenditure, had on the contrary been increasing it. The Committee referred to the expenditure on the Department of Supply and pointed out that there had been a strong and wide-spread feeling that the Government of India had been too liberal in the creation of new posts and in regard to both initial salaries and salaries on promotion. The Committee further stated that whereas ordinarily the Department of Supply should have been able to meet its own costs by earning commission on war supplies, it was regrettable that even the charging of this commission for war supplies effected through the Supply Department to the U. K. Government had been discontinued. The Committee further pointed out that apart from economy and retrenchment in expenditure, revenue had also been under-estimated on certain heads like Corporation tax, Income-tax and Salt. The Committee further submitted that assuming that the Finance Member did require this additional sum, he could have easily avoided taxing further the already heavily taxed industries and trade by borrowing this additional amount.

The Committee were of opinion that the increase in the Excess Profits Tax and in the surcharge on income-tax and super-tax would operate in a manner so as to retard seriously the industrial development of the country. The burden of income-tax, the Committee pointed out, had increased from Rs. 14·58 crores in 1937/38 to the estimated amount of Rs. 40·08 crores in 1941/42. In a country like India, which had not yet fully developed economically, such an increase in direct taxation could not but be considered out of proportion with the ability to bear and as great handicap in the way of speedy growth of industrialisation.

**Proposals for further Taxation.**—Learning that the Government of India had under consideration certain proposals for additional taxation the Committee addressed a detailed communication on the 6th October, 1941, to the Government pointing out that the taxable capacity of the people was well nigh reached and further taxation would, therefore, definitely tend to cripple the purchasing power of the people, thereby lowering still further the already low standard of living. It was also pointed out that

apart from the detrimental effects of the low purchasing power of the community on the consumption of industrial products and thereby on the development of industries, the unduly high percentage of taxes would by itself retard the industrial progress of the country by discouraging industrial activity. The Committee stated that since the declaration of the war the burden of taxation, direct and indirect, had steadily increased and any new proposals for taxation at this stage were bound to create apprehensions in the minds of the business community that the Government desired to obtain rather an unconscionable share of their earnings. The Committee also drew the attention of the Government to the considerable increase in industrial activity reported in some of the Empire countries especially Australia and Canada as compared to the slow progress India had made in this respect and pointed out that the unduly high level of taxation was one of the factors responsible for this slow progress in the latter. The Committee further stressed the desirability of allowing existing industries to make adequate provision for meeting the severe depression and the keen competition, both in the internal market and in the neighbouring markets where Indian goods were going at present, which were bound to follow the termination of war and for which sufficient reserves were necessary. Referring to the United Kingdom the Committee stated that no comparison could be made with the industries in that country as firstly they were experiencing boom conditions before the out-break of the War and secondly because they have been long established and have large assured markets. Besides, U. K. had already a high standard of living and curtailment of purchasing power would not materially affect the people there but would rather help the war effort by reducing consumption. In India the case was otherwise. The Committee also stressed that before any proposals for new taxation were brought in by the Government the public had a right to expect that all possible economy was effected in the top-heavy expenditure of the Government and that whatever expenditure was undertaken for defence purposes was reasonable, essential and properly supervised. A further letter was also addressed to the Government of India on the 16th October, 1941, referring to a press message to the effect that so far only 72 lacs of rupees had been realised as Excess Profits

**Tax.** The Committee stated that they understood that a large realisation had not been possible on account of the non-assessment of the Excess Profits Tax. It was pointed out that the assessment of Excess Profits Tax could not be done as accounts had not been assessed even for Income Tax purposes. The Committee further stated that in such circumstances the Government would not be able to realise the full amount of the budgeted and expected revenue from the Income Tax and the Excess Profits Tax, thereby arriving at a deficiency in the budget but such deficiency should not afterwards be put forward as an argument by the Government for justifying any proposals for increase in these or other taxes.

**Banks' profits in Selling Exchange.**—A Joint representation along with the Muslim Chamber of Commerce and the Bengal National Chamber of Commerce was submitted to the Government of India, drawing their attention to the fact that when the War started the Reserve Bank of India, organised Exchange control and fixed forward transaction for to months, but on protest from the trade that they would not do any business on two months basis, the Government extended forward business to 6 months, ahead at a level rate of 1s/6d per rupee. It was stated that the banks covered themselves from the Reserve Bank and sold exchange to merchants at 1/32 profit, which was a fair profit for the banks. It appeared that the banks were now objecting to such transactions to be covered into bills unless they made 1/16 profit. It was pointed out that this attitude of the Exchange Banks was unfair because they were not shouldering any risk as the exchange control gave them cover against all business that they did. Copies of the representation were also sent to the Exchange Banks Association and the Reserve Bank of India. The Exchange Banks Association replied on 24th April, 1941, stating that since the Government of India had already been addressed directly, they would prefer to deal with them in the matter if required. They further stated that they however could not agree that the statement of the position as mentioned in the joint representation was correct. The Reserve Bank of India, Bombay, replied on the 19th April, 1941, stating that as they had been consulted in the matter by the Government, they did not consider it necessary to send a separate reply. The

Government of India replied on the 14th May, 1941, stating that the matter was one between the Chamber and the Exchange Banks and the Government of India did not feel called upon to interfere. The Government further stated that they had observed that the Chambers had released their letter to the Press without waiting for a reply from the Government, and it was not possible for the Government to enter into a public controversy in the Press on matters of this nature. The matter is receiving attention.

**Facilities for Future dealings in Argentine linseed and Chicago wheat.**—The Committee addressed letters on the 5th July, 1941, to the Government of India and the Reserve Bank suggesting that trading in Argentine linseed and Chicago wheat futures should be permitted and the same facilities as existed for the New York Futures Market in cotton should be extended to this trade. The Reserve Bank of India replied on the 19th July, 1941, stating that although they were empowered to authorise persons to purchase foreign exchange for ordinary trade purposes, it would not be possible for them to provide exchange for ancillary transactions such as the dealings in question, unless the Government recognised them as transactions for which exchange may properly be found.

The Government of India replied on the 22nd September, 1941, regretting their inability to agree to provide exchange facilities for dealings in Argentine linseed and Chicago Wheat Futures Market.

**Freezing of Japanese assets—Payments from blocked Japanese accounts to Indian merchants.**—In connection with the Government Order freezing all Japanese Assets in the country, the Committee addressed a telegram and a letter on the 1st and 2nd August, 1941, to the Government of India and the Reserve Bank of India pointing out that a number of Indian merchants and Firms had got large sums of money outstanding against Japanese firms and in Japanese banks and that although the Japanese firms had got sufficient credits in Japanese and other banks, the payment of dues to the Indian merchants could not be made under instructions of the Reserve Bank. The Committee emphasised the desirability of payment of their dues to Indian

merchants at an early date and requested the Reserve Bank to move in the matter. The Reserve Bank replied on the 4th August, 1941, stating that they were allowing payments being made by Japanese firms to Indian merchants of sums due to the latter in respect of contracts entered into on or before the 26th July, 1941, provided satisfactory documentary evidence was produced to establish the claims. The Central Office of the Reserve Bank of India at Bombay also replied on the 9th August, 1941, on behalf of the Government of India that instructions had been issued to the Reserve Bank, Calcutta to permit payments from blocked Japanese accounts to Indian merchants in settlement of any transactions entered into on or before the 26th July, 1941, to the extent of their assets in India.

**Low Silver content of new rupee coins.**—The Committee addressed a letter to the Government on the 25th February, 1941, drawing their attention to the low silver content of the new rupee coins. The Committee stated that on account of its low silver content it was sometimes difficult to distinguish the sound of the new coins from that of counterfeit coins and as such the general public particularly in the mofussil was rather hesitant in accepting these new rupee coins. The Committee further stated that they did not see any reason why the new rupee coins should contain less silver than before when the prices of silver were at a moderate level. The Committee, therefore, felt that the Government should take steps to reintroduce the old percentage of silver in the rupee coins.

**Excess Profits Tax Act Amending Bills.**—A Bill to amend the Excess Profits Tax Act introduced in the Assembly on the 14th March, 1941, by the Finance Member provided for charging of the Excess Profits Tax at the original and increased rates respectively for the parts of the chargeable accounting period falling before and after the end of March, 1941. The Bill also provided for the setting off of deficiencies and gave the assessee a claim to have a deficiency occurring in a period after the end of March, 1941, set off against an excess occurring in a period after the end of March, 1941. For this purpose it was further provided that a previous set off against an excess occurring in a period before the end of March 1941 might be cancelled. The Committee thereupon addressed a telegram to,



the Finance Member and to various members of the Legislative Assembly and to the Federation stating that provision for cancellation of deficiency of profits occurring before the end of March, 1941 would be very iniquitous having regard to the fact that the excess profits tax was already too onerous. It was further pointed out that there was need for improvement in favour of the assessee particularly for the excess profits tax not being realisable in respect of diminishing depreciation owing to written down value calculation. The Central Board of Revenue replied on the 20th March, 1941, stating that the provisions in question merely provided that an assessee shall not lose by setting off a deficiency arising after the 31st March, 1941, against excess profits assessed at 50%. The Board further stated that if in such a case there was subsequently an excess of profits assessable at 66⅔% the Bill provided that such a deficiency might be set off against the later excess. The Board further pointed out that allowances having thus been given at 66⅔% the previous allowance of 50 percent must necessarily be cancelled.

On the publication of the Bill "further to amend the Excess Profits Tax Act 1940" under the Government of India Notification of 18th October, 1941, the Committee addressed a letter to the Government of India, Finance Department submitting their views on the various clauses of the Bill.

With regard to Clause 5 which proposed to introduce a new section with the object of providing for cases where tax was sought to be avoided by transactions which are neither artificial nor fictitious, the committee pointed out that the powers of the E. P. T. Officer were wide enough as they were, and that any further extension as contemplated under Section 10A would make business dealings well nigh impossible. They stated that to the best of their knowledge the U. K. Statute dealing with Excess Profits Tax did not contain any such provision. The Committee further pointed out that the existing powers under Section 10 were sufficient to cover any transactions aimed at avoidance of the Excess Profits Tax and that unnecessary harassment and trouble would be caused to the assessee if there was any extension of the same. The Committee suggested that the Clause should therefore be altogether dropped.

The Committee were also strongly opposed to the proposed Clause 7 (b) by which a further extension of the powers of the E. P. T. Officer was contemplated empowering him not to allow deductions "in respect of expenses including the Directors' fees or other payments for services in excess of the amount which he considered reasonable and necessary". The Committee expressed the view that such a provision would be highly iniquitous to the interest not only of the industrial and commercial community but also of the large number of their employees. The Committee also gave views on other provisions of the Bill.

**Excess Profits Tax Act—Rule 5 of Schedule 1.**—The Committee addressed a letter to the Government of India on the 4th March, 1941, drawing their attention to the Rule 5 of the Schedule 1 of the Excess Profits Tax Act, 1940. It was pointed out that this rule had been inserted in order to give relief in cases where a business had been expanded with capital borrowed from a bank or on debentures, by securing that the interest paid on the loan was not to be deducted in computing profits for the purpose of the Excess Profits Tax Act but that the amount of such loan or debentures was to be included as part of the total capital employed in business. It was stated that according to the present wordings of the Rule, however, new businesses in respect of which a 'standard period' was not available might be deprived of its benefit for, Rule 5 had got a reference to the 'standard period' and it was probable that the Rule might be interpreted so as not to be applicable to such businesses as were newly started and had therefore no standard period. Such an interpretation, it was stated, would naturally place newly started businesses to a serious disadvantage as compared to the older concerns, which could not have been the intention of the Government. The Committee stated that it was essential therefore that necessary instructions were issued to the E. P. T. Officers to remove any doubts regarding such new business. The Central Board of Revenue replied on the 26th March, 1941, enclosing a copy of the instructions they were issuing regarding the application of Rule 5. In their circular giving instructions it was made clear that the Rule should be applied to the case of all new concerns which had no standard period and that for this purpose the entire borrowings effected by means of loans

from a bank carrying on bonafide banking business or by means of a public issue of debentures should be treated as capital of the business within the meaning of Rule 5.

On the 2nd June, 1941, the Committee addressed a letter to the Central Board of Revenue drawing their attention to their press communique which stated that "provided that the business is a bonafide banking business rule 5 may be applicable whatever the status of the 'person' carrying it on" and pointed out the words "bonafide banking business" were not defined and it was desirable that the expression should be definitely understood and applied. The Committee pointed out that by bonafide banking business it was understood in this country to be anyone of the following functions, (a) Advancing of money on *Khata Peta* account i. e. Current Accounts, (b) Dealing in *Hundies*, *Purjas*, etc., (c) the advancing of money to merchants for business purposes, (d) Transfer of money from one centre to another, (e) the taking of loans or deposits.

It was pointed out that shroffs performed one or more than one of the above mentioned functions. The Committee requested the Board to clarify the position.

The Central Board of Revenue replied on the 10th June, 1941, stating that in their view the functions of a bank were (1) to accept money from customers on current account, (2) to make loans to its customers and (3) to provide for transfer of money from one person to another.

The Board further stated that unless a banking business carried on each of these functions it could not be regarded as a bonafide banking business for the purpose of Rule 5 of Schedule 1st of the E. P. T. Act. The Committee, thereupon, addressed a letter to the Federation of Indian Chambers of Commerce and Industry, on the 2nd July, 1941, forwarding the correspondence exchanged between the Chamber and the Board on the subject and requested them to take up the matter with the Government of India.

**Excess Profits Tax Act—Section 6 relating to the determination of the standard profits.**—On the 7th June, 1941, the Committee addressed a letter to the Central Board of Revenue

pointing out that the first proviso of sub-section I of section 6 of the E. P. T. Act provided that if the average amount of capital employed in business during the chargeable accounting period was greater than the average amount of capital employed during the standard period, the standard profit would be taken to be profits during the standard period, plus the additional amount calculated on the basis of the increased capital. The Committee further pointed out that sub-section 4 of the same section however laid down a minimum of Rs. 36,000/- as standard profits. The Committee presumed that in the case of a business which might have been commenced in the year 1937 but could not make any profits till 1940 and ultimately made a profit in 1941 when the capital had been considerably increased, the business would be allowed in addition to Rs. 36,000/- under section 6(iv) the further amount calculated by applying the statutory percentage to the amount of increase in capital. The Central Board of Revenue replied on the 10th June, 1941, stating that the minimum standard of Rs. 36,000/- was applied only where the standard profits as computed in accordance with sub-section (i) of section 6 of the Act were less than that sum. It was further stated that the standard profits computed in accordance with the provision of sub-section 1 may be (a) the profits of a standard period proportionate to the length of the chargeable accounting period and adjusted in relation to the increase or decrease with the provisions of the first proviso to the sub-section or (b) in certain cases at the statutory percentage applied to the average capital of the chargeable accounting period and if this amount was less than Rs. 36,000/- a year, the minimum standard provided by sub-section (iv) was applicable.

The Board further stated that there was no provision for increasing or decreasing this minimum standard by reference to any increase or decrease in the average capital of the chargeable accounting period as computed with that of the standard period.

**Excess Profits Tax Act—Schedule II Rule 1, (3).—**The Committee addressed a letter on the 7th June, 1941, to the Central Board of Revenue referring to Rule 1 (3) of Schedule II of the Excess Profits Tax Act which provided that “for computing the average amount of capital, where the price of any asset has been satisfied otherwise than in cash, the then value of the

consideration actually given for the asset shall be treated as the price at which the asset was acquired". The Committee pointed out that the meaning of the words "the then value of the consideration" was not very clear. If the consideration for the asset was paid in the form of shares, the words would seem to indicate the value of shares at the time of purchase. It was, however, not clear as to how *the then value* of the shares paid in consideration for the asset was to be determined. The Central Board, replied on the 10th June, 1941, stating that the words "the then value of the consideration" were necessarily broad because they were designed to cover a wide variety of circumstances. They further stated that the consideration given for an asset may take many forms and that it would not be possible to lay down any general rule for the solution of the practical question as to how the value of the consideration given in each case was to be ascertained. Each individual case therefore needed to be considered and dealt with according to its own particular facts. Dealing with the point raised by the Chamber they stated that the point about which there could be no doubt was that the nominal value of the shares was not necessarily their value for the purpose of the rule. If the shares in question were quoted on the stock exchange, the market price of the day would be a factor definitely to be taken into account in fixing the value of the consideration, although definite evidence of the fact that the market quotation was either more or less than the real value would have to be considered.

Regarding the more difficult question of the valuation of shares paid in satisfaction of the purchase price of an asset where there were no market quotations or no reliable quotations, the Board could not agree that a value agreed upon between the vendor and purchaser would necessarily be acceptable although if such value was the result of accurate valuation of the assets purchased, it might prove to be acceptable. The Board further stated that in this type of case, at the time of the purchase of assets for shares the value of the shares was really the value of the assets, and that if on evidence available a value could be agreed for the assets in question at the date of their acquisition, that value might be taken as the value of the shares that were issued as the purchase consideration.

**Calculation of Depreciation for the purposes of Excess Profits Tax.**—On the 3rd May, 1941, the Committee addressed a letter to the Government of India inviting their attention to Rule 2 of Schedule I of the Excess Profits Tax Act which laid down that the profits of business during the standard period shall be computed on the same basis and in the same manner as the profits of that business are computed for the chargeable accounting period. The Committee stated that while the Select Committee introduced this provision with a view to be fair to the assesseees in actual operation this rule was working to their great detriment. The Committee pointed out that it would be seen that both in the standard period as well as in the chargeable accounting period depreciation had to be calculated on the written down value basis instead of on the original cost basis and as such the amount of calculated depreciation deducted from the gross-profit in the standard period in order to arrive at the standard profit was much more than the amount of depreciation allowed in chargeable accounting period. The result was that even though the amount of gross profits made by the assessee in the chargeable accounting period and in the standard period be the same the assessee became liable to pay the Excess Profits Tax on account of the amount of depreciation in the chargeable accounting period being less than in the standard period. The Committee urged the Government to correct the position by making provision that subject to the extensions and obsolescence taking place after the standard period the same amount of depreciation might be taken into account both in the standard as well as in the chargeable accounting periods for the purpose of arriving at assessable profits. The Government of India replied on the 15th May, 1941, stating that they were unable to agree that the newly introduced basis for the calculation of the depreciation for Income-Tax purposes that had been applied to all accounting periods for the purpose of excess profits tax by Rule 2 of Schedule I of the Act of 1940, involved any hardship to the assesseees. The Government stated that it was generally admitted by the business community as well as by the Accountancy profession that the written down value basis of calculation of depreciation was much more closely in harmony with the physical facts than the method that assumed an equal loss of value by

depreciation of buildings, plant and machinery in each year of the assets' life. The Government were of opinion that there was no case therefore for alteration of the written down value method for arriving at depreciation allowable in computing the Profits of business either for Income-Tax or for Excess Profits Tax purposes.

The Committee thereupon addressed a further letter to the Central Board of Revenue on the 31st May, 1941, regretting that their previous letter had been misunderstood. The Committee pointed out that they did not ask for any general alteration of the written down value method of arriving at depreciation allowable in computing the profits of a business but only drew the attention of the Central Board of Revenue to an anomaly which had been introduced in the actual operation of the law for the calculation of depreciation for Excess Profits Tax Purposes. In view of this anomaly it was stated, the Committee had requested the Government only to make provision that so far as the calculation of profits for E. P. T. purposes were concerned, some amount of depreciation should be taken into account both in the standard as well as the chargeable accounting period. The Committee stated that their request was only confined to putting this position right and did not go beyond to suggest any change in the whole basis of the calculation of depreciation for income-tax purposes from the written down value to the prime cost basis.

**Publication of instructions to Excess Profit Tax officers.**—It was stated on page 123 of the last Annual Report that the Committee had addressed a letter to the Central Board of Revenue requesting them to publish the instructions issued by them to the Excess Profits Tax Officers. The Central Board had replied that the instructions were confidential and were intended purely for the guidance of the Department. Federation of Indian Chambers of Commerce meanwhile wrote to the Chamber on the 28th March, 1941, informing that the Central Board proposed to bring out a booklet embodying the instructions issued by them to the Excess Profits Tax Officers on various matters in connection with the provisions of the

Act. The Committee thereupon addressed a further letter to the Central Board of Revenue on the 3rd May, 1941, requesting them to expedite publication of the instructions issued to the Excess Profits Tax Officers for the purposes of assessment as absence of knowledge regarding the same caused considerable hardship to the assessees. The Central Board replied on the 21st May, 1941, stating the publication in question was under print.

**Advance payment of Excess Profits and Income Tax.—**The Government of India wrote to the Chamber on the 25th March, 1941, stating that business concerns who had earmarked sums with their Bankers for Excess Profits Tax and Income-tax might like to pay the same in advance as a measure of assistance to National finance. The Government considered that the proposal afforded the simplest and best method by which business concerns could render assistance to the Government and it was stated that the Government would be grateful if the Chamber recommended this proposal for acceptance to its members. The information was circulated to members of the Chamber. The Committee also addressed a letter to the Government of India on the 8th April, 1941, pointing out that in some cases where the Assessee had already made advance payments the Income-tax officers delayed assessments under the Excess Profits Tax and Income-tax. The Committee hoped that the Government would see that the instructions issued by them were carried out in practice.

**Disallowance of wage and salary increments and bonuses as expenditure for purposes of Excess Profits Tax and Income-tax assessments.—**Apropos a press report that the Central Board of Revenue contemplated to take steps by amendment of the law that increments in wages or salary or bonuses to the staff or workers should not be allowed as expenditure in calculation of profits for the purposes of the Excess Profits Tax, Income-tax and the Super-tax, the Committee addressed a telegram to the Central Board of Revenue on the 4th April, 1941, stating that such action would be highly iniquitous and seriously prejudicial to the interests of employees in industrial and commercial concerns. The Committee were opposed to such action by the Government and requested that in order to allay public apprehensions the Government should immediately



issue a communique declaring that they did not contemplate taking any such steps and that increments and bonuses would be duly allowed as expenditure in arriving at assessable profits. The Committee addressed a further letter to the Central Board of Revenue on the 16th April, 1941, pointing out that such an action by the Government was bound to lead to considerable discontent amongst employees which might even result in impeding Government's War effort. The Central Board of Revenue replied on the 22nd April, 1941, stating that no proposals of the nature referred to were under their consideration. They added that the law on the subject *i.e.*, sections 10 (ii) and (12) of the Indian Income-tax Act sufficiently safeguarded the revenue against attempts to avoid taxation by payment of excessive salaries or bonuses.

**Indian Income-tax Act—Amending Bill.**—Apropos a press report that the Government of India were considering the introduction of a bill to amend the Indian Income-tax Act, during the next Session of the Assembly, the Committee addressed a telegram to the Government on the 10th June, 1941, pointing out that the administration of Income-tax Law was already operating harshly against the assesseees and the commercial community therefore were apprehensive as to the amendments which the Government of India now proposed to make therein. The Committee urged the Government to take the Commercial community into confidence in good time before drafting the bill as adequate time would not be left for consideration and criticism after the introduction of the bill in the Legislature.

On the publication of the Bill "further to amend the Indian Income-Tax Act, 1922", under the Government of India Notification dated the 14th, October, the Committee addressed a letter on the 30th October, 1941, to the Secretary to the Government of India, Finance Department, submitting their views on the various provisions of the Bill.

Regarding clause 4 which dealt with the definition of residence in British India and sought to empower the Income-tax Officer to treat any individual as "resident in British India" if the Officer was satisfied *inter alia* that such individual was "likely to remain in British India for not less than three years

from the date of his arrival", the Committee pointed out that the tax should be based on actual facts and not on such conjecture and it was not therefore proper to incorporate such an amendment in the Act.

Regarding Clauses 8 and 10 which dealt with income accruing or arising to an assessee within an Indian State, the Committee pointed out that the requirement that the profits, income, or gains accruing in an Indian State will be taken into account in calculating Income-tax and Super-tax in British India would lead to unnecessary harassment to the assessee. When such income arising from an Indian State was not to be taxed in British India, the assessee should not be required to make any reference to such income or profits in his income-tax return. For, if such reference was made the assessee might be required to produce his account books of an Indian State in British India and *vice versa* for verification. The Committee gave views on other provisions of the Bill also.

**Income Tax Rules—Rates of depreciation allowance for Collieries.**—At the instance of the Indian Colliery Owners Association the Committee addressed a letter to the Central Board of Revenue on 22nd January, 1941, drawing their attention to the question of allowance of depreciation to collieries under Rule 8 of the Income-Tax Rules. The Committee stated that the Income-Tax Officers did not allow any depreciation on expenses incurred by the Collieries for development works in the mines on the plea that such assets were not included under 'Mines and Quarries' nor were such assets considered to be revenue by the Income-Tax Officers. It was pointed out that it was necessary that depreciation allowance at the rate of 7 per cent should be granted to such assets. The Committee further pointed out that expenses incurred by collieries for quarry-stone and earth-cutting and for gallery driving were till now allowed as revenue, but recently these expenses had not been allowed as revenue nor had depreciation on the written down value of the same been allowed. It was stated that these expenses were of a recurring nature and the benefit accruing to the Colliery from the same was not of a permanent character. In fact the practice till now followed was to allow the same as revenue and the Committee failed to see any reason why the Income-Tax Officer

should now follow a different practice. The Committee further pointed out that renewals of coal, tubs, winding ropes and haulage ropes were being allowed as revenue but no provision had been made about their first costs. The Committee suggested that the expenses on these assets both old and new should be allowed as revenue and depreciation at the rate of 67 percent on these articles should be allowed assuming their economic life to be 3 years. The Committee further stated that depreciation at the rate of 25 per cent should be allowed on the written down value of old assets and all new purchases should be treated as revenue. The Committee also stated that the collieries used to be allowed double the rates prescribed for buildings, the reason for that being that buildings in the coal field areas suffered more deterioration due to underground working and required repairs more often than buildings in other industries. The Committee therefore suggested that buildings in the coalfield areas should be allowed double the rates of depreciation prescribed for buildings. The Secretary, Central Board of Revenue, replied forwarding a copy of the Board's letter dated the 19th February, 1941, addressed to the Commissioners of Income-Tax, Bihar, Orissa and Bengal. It was stated in the letter that the Central Board of Revenue were considering the questions concerning the rates at which depreciation should be allowed on various items of expenditure in coal mines and that in cases where the Excess Profits Tax returns of the Collieries were overdue by reasons of the fact that profits could not be correctly computed on account of the questions referred to above remaining outstanding, instructions should be given to the E. P. Tax Officers that the necessary extension of time for filing excess profits returns, should be allowed or those collieries may be allowed to make provisional returns for excess profits tax at once, the final agreement of any excess profits tax liability being made upon the settlement of the question.

#### **Income Tax Rules—Amendment in the Form of Return.**

In connection with a notification proposing certain amendments to the Income-Tax Form of Return, the Committee addressed a letter to the Central Board of Revenue on the 2nd April, 1941, suggesting that a provision should be made for signing the declaration in the Return of income by any person managing

the affairs of the assessee or by a constituted attorney, for, if the signature of the assessee in person was insisted upon in each case, it might lead to considerable difficulty in cases when the assessee was out of India or away for long periods from his place of business. The Central Board of Revenue replied on the 5th May, 1941, stating that they were unable to accept the suggestion of the Chamber since they felt that the signature of the person concerned could in such cases be obtained through the medium of the post. The Board further added that since the signing of the Return of income by the individual himself was a statutory obligation, the ordinary law which permitted the doing of a thing through an agent was not applicable.

**Income Tax Rules—Amendment of Rule 7.**—The Central Board of Revenue forwarded to the Chamber a copy of their notification dated the 15th March, 1941, proposing certain amendments to Rule 7 of the Income-Tax Rules 1922. It was proposed that the words “as diminished by the amount allowed for vacancies” be added after the words “annual value of the property”. The Committee thereupon addressed a letter to the Central Board of Revenue on 2nd April, 1941, pointing out that section 9 (1) of the Indian Income-Tax Act clearly laid down the various allowances which were to be made from “the annual value of the property” for the purpose of arriving at the net assessable income from property. Sub clause (7) of section 9 (1) provided for the allowance to be made in respect of vacancies and specifically related such allowances to that part of the net annual value after deducting the foregoing allowances. Rule (vii) which was now sought to be amended was governed by clause (vi) of the section 9 (1) and as there was already another clause (vii) specifically dealing with vacancies the Committee were of the opinion that the proposed amendment was *ultra vires* of the Act. The Committee further pointed out that the statute clearly laid down that the allowance in respect of vacancies was to be made from that part of the net annual value which remained “after deducting the foregoing allowances”. The Committee therefore strongly objected to the Government going back upon the Statute and diminishing the allowance in respect of collection charges which fell under the category of “the foregoing allowances” specifically mentioned in Clause (vii) by deducting

“the amount allowed for vacancies from the annual value of the property” when that amount was itself to be arrived at after deducting all the “foregoing allowances”. The Committee stated that it was also unfair to the assessee that the percentage of collection charges allowed from the Annual value of the property should be diminished by the amount allowed for vacancies. The Committee therefore strongly objected to the proposed amendment.

**Allowance of expenses of Labour Welfare Work for Income-tax purposes.**—On the 25th June, 1941, the Committee addressed a letter to the Central Board of Revenue pointing out that employers of labour were expected in times like the present to make adequate provisions for labour welfare work but as the Income-tax authorities made allowances for only such portion of labour welfare expenses as had been actually spent during the year the employers were prevented from making adequate provision for labour welfare work even if they desired to do so at present. The Committee suggested that if a sum of money was irrevocably set apart for labour welfare work, the amount thus set apart should be allowed by the Income-tax authorities. The Committee stated that only if such a provision was made employers would be able to provide adequately for labour welfare work. The Central Board of Revenue replied on 29th July, 1941, regretting that they were unable to accept the suggestion made by the Chamber. A further letter was thereupon addressed to the Finance Department, on the 3rd November, 1941, pointing out that labour welfare work was of such a nature that it could not be suddenly increased or decreased in a particular year and provision had to be made for expenditure more or less on a long-term basis and that it would be in the interests of the large number of employees in industrial concerns if Government accepted the suggestion of the Chamber to allow for income-tax purposes sums of money irrevocably set apart for labour welfare work. The Finance Department replied on the 2nd December, 1941, stating that the Government of India had given their careful consideration to the matter but they saw no reason to differ from the decision arrived at by the Central Board of Revenue on the subject.

**Allowance of A. R. P. expenditure in assessing business incomes.**—On the 21st April, 1941, the Committee addressed a

letter to the Government of India, Finance Department, drawing their attention to the communique issued by the Government of Bengal that they could not provide any form of concrete or steel shelters for members of the general public. The Committee stated that the public in Calcutta were not convinced that adequate steps had been taken for the defence of the city from air raids. The Committee further stated that the Government being primarily responsible for the safety of the people, they should give financial assistance for building air raid shelters. In any case the expenses incurred by Commercial and industrial concerns for providing shelters and making other necessary arrangements for the safety of their employees should be allowed as expenditure while assessing business incomes. The Government of India replied on the 2nd June, 1941, forwarding a copy of the circular issued by the Central Board of Revenue, on the subject. In their Circular the Central Board had stated that the general principle was that if expenditure brought an asset into being it was of a capital nature and inadmissible. It was however not desired that in case of expenditure for A. R. P. purposes there should be any dis-allowance unless the asset being brought into existence was of a durable character. The Board further stated that on this basis the fees paid to A. R. P. wardens for lectures on air raid subjects and cost of literature etc. would be allowed so also expenditure on gas masks etc. As regards additions or alterations to plant and machinery for protection against air raids expenditure would be allowed unless it was clear that these were additions or alterations to the plant or machinery that might have been proposed already. The Committee thereupon addressed a further letter on the 16th October, 1941, requesting the Central Board of Revenue to extend the same facility to private persons who had to incur similar expenditure for safety, as the expenditure was equally essential in the latter case also. This, they stated, would encourage private persons to spend money on precautionary measures necessary in case of air raids.

**Inclusion of Departmental instructions in the Income-Tax Manual.**—It was stated on page 133 of the last Annual Report that the Committee had written a letter to the Central Board of Revenue suggesting that certain instructions issued to

the Income-Tax Officers should be included in the Income-Tax Manual. The Central Board of Revenue replied on the 10th January, 1941, stating that the suggestion made by the Chamber would be considered when the Manual would be due for reprint. The Committee addressed a further letter to the Central Board of Revenue on 28th January, 1941, drawing their attention to the fact that the present Manual was already out of print and that the Government might be considering the question of reprinting the same. The Committee hoped that their suggestion regarding inclusion of the departmental instructions would be now considered by the Board and the instructions would be published in the new Manual.

**Income-Tax Law in Bikaner State.**—At the instance of the All-India Marwari Federation the Committee addressed a telegram to the Finance Member, in connection with the Income-Tax Act passed by the Bikaner State on lines similar to the British Indian Act. The Committee were opposed to this move of the Bikaner State. It was stated that the Bikaner State relied on getting half of the tax realised in British India from its subjects and other persons who might technically be said to be residents in the State under the provision for double Income-Tax relief, but there was no reason why British India should lose this revenue. The Committee urged that if British India was in a position to sacrifice this revenue relief should be given to the British Indian Taxpayer. The Committee apprehended that the present move of the Bikaner State would be seriously detrimental to the interests of British India inasmuch as if it succeeded most of the other Indian States particularly Rajputana States would follow suit and thus cause immense loss to the British Indian Revenue, thereby obstructing the giving of much needed relief to the British Indian Taxpayer against the existing heavy taxation. The Committee were aware that the Government of India had already got arrangement with several Indian States outside Rajputana States for double taxation relief. The case of Bikaner State, it was stated, was, however, different inasmuch as most of these States had not sought to charge tax on income that accrued outside their States and also because the income earned by their subjects in British India was not so considerable as earned by subjects of Rajputana States. The Committee

therefore urged the Government of India to intervene in the matter and prevent the Bikaner State from proceeding further with the move. A letter was also addressed to the Government of India on the 16th April, 1941, in this connection.

**Provisions about allowance of depreciation under the Bihar Agricultural Income-Tax Act, 1938.**—It was stated on page 135 of the last Annual Report that the Committee had written a letter to the Government of Bihar referring to the operation of Section 7 (3) (g) (iv) of the Bihar Agricultural Income-Tax Act which provided for allowance of depreciation at the prescribed rate in respect of any capital asset purchased or constructed after the commencement of the Act. The Committee felt that it was unfair that depreciation should not be allowed for the large number of assets which had been purchased or constructed before the commencement of the Act and they had therefore requested the Government to make the necessary amendment in the Act. The Government of Bihar replied on the 17th February, 1941, stating that after careful consideration they had come to the conclusion that no amendment of Section 7 (3) (g) (iv) of the Bihar Agricultural Income-Tax Act, 1938 was necessary. The Committee thereupon addressed a further letter to the Government of Bihar on the 21st March, 1941, enquiring about the reasons which made the Government of Bihar to arrive at this conclusion. The Committee also pointed out that it was neither equitable nor just that the Government should not allow depreciation for capital assets which had been purchased or constructed before the commencement of the Act. The Government of Bihar replied on the 10th May, 1941, stating that they were unable to accede to the Chamber's request to give the reasons for their decision not to make any amendment to the Bihar Agricultural Income-Tax Act, 1938.

**Exemption from Indian Income-tax of Interest due to holders in the United Kingdom of certain Indian Port Trust Loans.**—Apropos a Press Report that the Government of India had exempted the interest on certain Port Trust Loans held in the United Kingdom from being charged to Indian Income Tax the Committee addressed a letter to the Government of India on the 7th May, 1941, pointing out that under Section 42 (1) of the Indian Income-Tax Act, 1931, the Governments of India were



entitled to insist upon the deduction of Indian Income-Tax at the source on interest payable to holders in England of Sterling Loans raised by Indian Port Trusts. The Committee stated that they were unable to appreciate as to how "hardship would be caused by the enforcement of the Law in the case of loans issued before the publication of the Indian Income-tax Amending Bill". The Committee felt that unless the Act itself specifically laid down any provision for granting relief in the matter of contracts or commitments made prior to the enactment of the amended Law or the publication of the Bill, the Government of India would be going beyond their powers in extending such concessions to holders of Sterling loans in England by executive action.

The Committee deplored that while the Income-tax law was enforced so rigidly in India, the Government of India had acceded to granting such a concession to holders of the loans in England.

**Methods of Income-Tax Assessment.**—The Committee addressed a letter to the Central Board of Revenue on the 3rd December, 1940, drawing their attention to the appointment of a certain Officer of the Central Board of Revenue as Director of Inspection in Bengal. The Committee stated that this Officer called for the account books records etc. of the assesseees after they had been dealt with by the Income-Tax Officers and even cancelled and changed final assessments without the knowledge of the assesseees and without hearing the latter's point of view. The Committee stated that they were not aware of the powers the Board had delegated to the Officer concerned but it had been found from his way of working that there was hardly any limit imposed upon his powers. The Committee requested the Board to take suitable steps to prevent undue harassment and inconvenience caused to the assesseees. The Central Board of Revenue replied on the 15th January, 1941, stating that the appointment of the Director of Inspection was made with a view to improve the Income-tax administration against which there were constantly recurring complaints of laxity and inefficiency. The Board further stated that whether there was any ground for these complaints or not, it was their plain duty to make the machinery as efficient as possible and in accomplishing this purpose it was hoped that the appointment of an experienced Officer to supervise assesment work and advise Income-Tax Officers throughout

the country would be of very great assistance. It was further stated that the Board were not prepared to admit that a more detailed, thorough and informed scrutiny of the assessee's accounts could be described as harassment. Regarding the particular complaints made by the Chamber it was stated that the Board were informed that the complaints were without foundation. Regarding the observation of the Chamber that it was regrettable that at this juncture when the public were looking forward to the Income-Tax Tribunal to meet the demand long overdue of having an independent judiciary for income-tax purposes, the Central Board of Revenue had thought it fit to appoint a Director of Inspection, the Board stated that the two lines of development were entirely different. On the one hand the institution of separate Appellate Assistant Commissioners and the Appellate Tribunal the Government were trying to give the taxpayer appellate authorities in which he would feel that there was no official bias against him and on the other hand as an entirely separate development the Government, it was stated, must proceed with its attempts to tighten up and improve the income tax administration.

The Committee addressed a further communication on 19th May, 1941, to the Central Board of Revenue drawing their attention to the state of panic that was created among the Indian assesseees in Calcutta on account of the methods of assessment employed by the Income-tax Department. The Committee referred to the appointment of a Central Commissioner of Income-Tax and stated that the manner in which the files had been selected for transfer to him showed that while there was a clear discrimination between Indians and Europeans, there was no distinction made between people whose honesty had never been in question and others. It was further pointed out that the Income-Tax statute enforced by the Government would tend to become an instrument of torture if it was twisted against the assesseees and if the Assessing Officer began to proceed upon suspicion and imagination or upon instructions from higher authorities. The Central Board of Revenue replied on 22nd May, 1941, stating that they were arranging for a meeting between the Central Income-Tax Commissioner and the Commissioner of Income-Tax, Bengal, and the Chamber's representatives for a

thorough discussion of the matter and free exchange of opinion with a view to set matters right.

The Committee thereupon met Mr. C. F. Mullan, I.C.S., Commissioner of Income-tax, Bengal and Mr. N. Dandekar, I.C.S., Commissioner of Income-tax (Central) on the 24th January, 1941, at the premises of the Chamber. The following points *inter alia*, were raised on behalf of the Chamber at the meeting :—

- (1) The Income-tax Law should be properly administered and taxes should not be realised either by twisting the law against the assessee or in an arbitrary manner.
- (2) According to the decisions of the Privy Council and the High Court a fiscal statute should be interpreted in favour of the assessee.
- (3) There was a state of demoralisation amongst the Income-tax Officers by reason of the fact that they were not allowed to exercise their independent judgment and pressure was brought to bear upon them not only by the Inspecting Assistant Commissioners but also by the Central Board of Revenue.
- (4) The Director of Inspection and the Inspecting Assistant Commissioner, while working from behind the scene exercise a pernicious influence on the judgment and decision of the I. T. Officers.
- (5) The Appellate functions of the Appellate Assistant Commissioners were also interfered with notwithstanding the proviso to Section 5(8).

The Committee addressed a further letter on 23rd September, 1941, to the Member-in-Charge of Income Tax Administration, Central Board of Revenue apprising him of the proceedings of the Meeting with the Income-tax Commissioners, and the assurances extended at that meeting.

The Committee stated that nothing had been done since then to remedy the grievances that were represented and there were frequent instances of unnecessary harassments even in the case of assesseees who produced properly audited accounts. The

Committee further addressed a letter to the Central Board of Revenue urging upon them the necessity of redressing the numerous grievances that had been from time to time brought to their notice by the Chamber.

The Committee also addressed a letter to the Hon. the Finance Member, Government of India on the subject drawing his attention to the mal-administration of the Income-tax law. The position was described in details and the intervention of the Hon. Member was sought in the matter. All the Indian members of the Viceroy's Executive Council were also approached with a request to move the authorities to ensure protection of the interests of the Indian Commercial Community against such irregular and oppressive enforcement of the Income-tax law and particularly against racial discrimination practised by the Department in the matter of assessment.

A Joint Meeting of the various commercial bodies in Calcutta including this Chamber was held on the 6th November, 1941, to protest against the high-handed and arbitrary methods of assessment followed by the Central Income-tax Department, Calcutta. The following resolutions were passed at the Meeting :—

1. "This Joint meeting of representatives of the Calcutta Gunny Trades Association, Jute Balers Association, East India Jute Association, Calcutta, Hessian Exchange, Swadeshi Piecegoods Association, Indian Produce Association, Marwari Chamber of Commerce, Marwari Association, Muslim Chamber of Commerce, Bengal National Chamber of Commerce and the Indian Chamber of Commerce, Calcutta views with serious concern the high-handed manner in which an income-tax assessment has been recently made by the Central Income-tax Department in Calcutta. This Meeting views with alarm this assessment and is firmly of the opinion that if further assessments in this arbitrary manner are made the interests of Indian assesses would be unduly jeopardised.
2. "This Joint meeting further regrets to note the great demoralisation that has been prevailing among the

officers of the Department of Income-tax and Excess Profits Tax in Calcutta due to unwarranted interference and pressure of the superior officers and the serious situation caused thereby under which a state of panic has been created among the Indian assesseees.

3. "This Joint meeting requests the Government of India to protect the interests of Indian mercantile community against such irregular and oppressive enforcement of the Income-tax Law and particularly against the racial discrimination practised in respect thereof which has created apprehensions in the mind of the Indian mercantile community that the Government are adopting methods which would practically have the effect of ruining the trade and commerce of Indians".

The Resolutions were also forwarded telegraphically to His Excellency the Viceroy the Hon'ble the Finance Member and the other Indian Members of the Viceroy's Council. A detailed representation was also addressed on the subject to the Hon'ble the Finance Member. The Representation pointed out that a state of panic existed among the Indian Commercial Community in Calcutta on account of the methods followed by the Income-tax Department for some time past. The Indian Commercial Community felt that while taxation was already extremely heavy there had been evidence of a growing spirit of high-handedness and arbitrariness among the Officers of the Income-tax Department. In addition to this a feeling of resentment had been created in the minds of the Indian Businessmen that discrimination was being exercised against them to an extent not witnessed before.

Various important markets in Calcutta such as Jute, gunny, hessian, linseed, piece-goods and the Stock Exchange also remained closed on the 8th November, 1941, as a mark of protest against these arbitrary methods of Income-tax assessment.

**War Risks (Goods) Insurance Ordinance, 1940.—**  
The Government of India, Department of Commerce Notification dated the 1st April, 1941, proposed certain amendments to

instructions 9 and 10 in the 3rd Schedule of the War Risks (Goods) Insurance Rules, 1940. It was proposed that the rate of premium was to be 1/16% per month or part of a month and on insurances effected during the months of April, July, October and January three months' premium would be payable, *i. e.*, 3/16%, on insurances effected during the months of May, August, November and February, two months' premium would be payable, *i. e.* 2/16% and on insurances effected during the Months of June, September, December and March one month's premium would be payable *i. e.* 1/16%. The Committee thereupon addressed a letter to the Government of India on the 16th April, 1941, pointing out that substitution of the revised instructions gave the impression that the present rate had been fixed for the whole year, as the rates for insurance effected during each of the four quarters beginning in April, July, October and January were given in the clause.

The Committee requested the Government of India to enlighten them on the matter as to whether the present rates had been fixed for the whole year. The Government of India replied on the 29th April, 1941, stating that the rate of premium had been fixed at one anna per Rs. 100/- per month or part thereof for the quarter ending 30th June, 1941. The Government further stated that the Amended "instructions" as contained in the 3rd Schedule of the rules only gave an explanation of how the premium was to be calculated. The matter is receiving attention.

The Federation of Indian Chambers of Commerce and Industry wrote to the Chamber on the 17th May, 1941, forwarding copy of a letter received by them from the Government of India regarding position under the War Risks Insurance Ordinance of goods which were being imported into or exported out of India and which were situated in lighters between ship and shore in Indian ports. The Government had stated that under the definition given in Sub-section 2(g) of the Ordinance such goods could not be considered to be "situate in British India" even if the Lighter be plying on a navigable river, as would be the case at the Port of Calcutta provided it was plying on the tidal portion of such a river. Consequently the goods in question could not be insured under the War Risks (Goods) Insurance

Scheme. The Government stated that they were considering the proposal of amending Sub-section 2(g) of the Ordinance so as to render all goods within the limits of Customs, Ports, except such as had not been discharged from or had been loaded on ocean going vessels, situated in British India, within the meaning of that Section. The Committee replied on the 8th June, 1941, to the Federation stating that they had no objection to the proposed amendment. It was however stated that the amendment should not involve any extra burden of premium on the owner of the goods to be insured.

**Appointment of Loss Assessors under the War Risks (Goods) Insurance Rules, 1940.**—The Federation of Indian Chambers of Commerce and Industry wrote to the Chamber on the 3rd February, 1941, stating that the Buyers and Shippers Chamber and the Karachi Indian Merchants Association had drawn the attention of the Federation to the fact that out of the 25 Loss Assessors appointed by the Government of India under Rule 15(2) of the War Risks (Goods) Insurance Rules, 1940, only nine were Indians. Both the Karachi Associations had suggested that the vast majority of the stockholders were Indians and as there were different trades such as cotton, grains, oilseeds and manufactured articles represented by these stockholders, Indians well-versed in assessing loss on the same should be appointed in a larger number to work as loss assessors and such appointments should be made in consultation with commercial organisations at the chief centres. The Federation stated that before taking up the matter with the Government of India they desired to know whether the Chamber had expressed any views on the question and if not, what particular views the Chamber had to offer in the matter. The Committee replied on the 17th February, 1941 stating that they understood that the Government of India before appointing loss assessors consulted all the 6 prescribed Insurance Bodies in India including the Indian Associations. The Committee further stated that so far as the Indian Insurance Companies Association affiliated to the Chamber was concerned all the three names suggested by them had been accepted by the Government.

The Committee further stated that the Association did not suggest the names of any more Indians because they could not

find more qualified Indians for the work. The Federation subsequently issued a Circular on the 11th March, 1941, stating that in view of the reply received by the Buyers and Shippers Chamber, Karachi from the Government of India, the Federation did not consider it necessary to take up the matter with the Government of India.

**Increase in the rate of premium for War Risks Insurance.**—On the 19th March, 1941, the Government of India sent a telegram to the Chamber stating that the War Risks Insurance rate of premium was raised to one anna per 100 rupees per month or part of the month for the quarter beginning with the first April, 1941. The Committee thereupon addressed a telegram to the Government of India on the 20th March, 1941, stating that the Government should have consulted the Commercial Community before taking such action. The Committee pointed out that only a few days ago the Hon'ble the Finance Member estimated a revenue of Rs. 63 lakhs from this source in his Budget statement and the commercial community were unable to support the present action of the Government in increasing the rate as the Government had not established the necessity or desirability of such an increase by as much as 100 percent.

**Marine and war risk insurance in respect of Gunny Orders supplied to the Government of India through the adviser on jute supplies.**—The Committee addressed a letter on the 10th December, 1941, to the adviser on jute supplies enquiring about the arrangement which obtained in respect of marine and war risk insurance for war supply orders for gunnies and whether there was any list of selected insurance companies drawn up with which this insurance was effected.

The adviser on jute supplies replied on the 17th December, 1941, stating that arrangements were, as is usual in practice, made by the buyer of the goods in respect of marine and war risk insurance for war supply orders for gunnies, purchase of which was arranged by the adviser on jute supplies. He further stated that the discretion for the placing of insurance had been exercised by the adviser on jute supplies and there was no list of selected insurance companies. He added that according to the



present instructions from the Government of India, the majority of shipments on behalf of the Government were not insured at all. The committee thereupon addressed a further letter dated the 13th January, 1942, to him emphasising that all marine and war risk insurance in respect of gunny orders supplied to the Government of India should be placed with Indian Insurance Companies.

**Desirability of giving Protection to Indian Insurance Companies.**—On the 3rd March, 1941, the Committee addressed a letter to the Government of India inviting their attention to the desirability of giving protection to Indian Insurance Companies. The Committee stated that the indigenous Indian Insurance Companies were not able to grow and expand as they should have done on account of the competition of the well-established and stronger Non-Indian concerns. The Committee suggested that in order to protect and encourage indigenous Insurance Companies the Government should see that :—

- (a) All insurance contracts of the Government were placed with Indian Insurance Companies, and
- (b) all local and other Quasi-governmental bodies such as the Port Trusts, Improvement Trusts etc. and institutions receiving Government Aid, gave preference to Indian Insurance Companies in the matter of insuring their properties.

The Committee also addressed a letter to the Federation of Indian Chambers of Commerce & Industry, on the 3rd March 1941, in the matter suggesting that a circular might be issued to all member-bodies requesting them to appeal to all Indian Industrial concerns to insure their properties with Indian companies. The Federation accordingly issued a circular on the 28th April, 1941, suggesting member-bodies to appeal to their member concerns to place their business with Indian Insurance Companies and also to purchase their stores from Indian Manufacturing Concerns.

**Investments of Life Assurance Companies and Government Securities.**—On the 22nd July, 1941, the Committee addressed a letter to the Government of India inviting their

attention to the question of investments of Life Insurance Companies and Government Securities. It was pointed out that the Insurance Act, 1938, as recently amended required every insurer incorporated or domiciled in British India, to invest 25% in Government Securities and a further 30% in Government Securities or other approved Securities, or Securities of or Guaranteed as to principal and interest by the Government of the United Kingdom. The Committee pointed out that such legal compulsion requiring the Insurance Companies to invest 55% of their investments in Government Securities hampered the growth of Insurance business as the Insurance Companies could not diversify their investments so as to realise a fair yield on the same. The Committee further pointed out that the fluctuations in the prices of Government Securities further placed the Insurance Companies to considerable disadvantage and Government Securities had not therefore been considered to be good for investment purposes. The Committee urged that the Compulsory investment required under section 27 of the Indian Insurance Act should be reduced to 10% in Government Securities and 15% in Approved Securities including loans on policies and deposits.

**Refusal of certain Exchange Banks to accept policies issued by Indian Insurance Companies.**—The Committee have had long correspondence with the Government of India and the Reserve Bank of India on the subject. The Committee addressed a further letter on the 6th August, 1941, to the Government of India pointing out that the practice followed by certain exchange banks of refusing to accept policies issued by Indian Insurance Companies, even though the latter were sound and respectable companies placed them to considerable disadvantage and hampered the growth of Indian Insurance companies. One of the reasons for this practice, it was pointed out, was that very often the Banks or its nominees, held the agency of one or more Insurance Companies and were therefore directly or indirectly interested in securing business for that company. When the Insurance Company the policies of which were not accepted, however took up the matter with the Bank, the latter pointed out to the non-existence of any account of the Insurance Company with the Bank. The Committee stated that obviously it was not possible

for an Insurance Company to have bank accounts with all the Exchange Banks and there was hardly any justification, therefore, for a bank to refuse policies of reputable Companies on this account. The Committee further pointed out that often in cases of hypothecation of plant, machinery and stocks with large banks the owners were compelled to cancel their existing policies and to effect insurance with companies approved of by the bank, which in almost all cases were non-Indian concerns. This, the Committee felt, was tantamount to taking undue advantage of the influence which the banks were in position to exercise and was definitely objectionable on principle. Moreover as a result of this, whatever success the Indian Insurance Companies had achieved in their endeavours to impress upon the public their soundness and strength and the advantages they offered, was often completely wiped out by the refusal of the banks to accept their policies. The Committee therefore suggested to the Government that the Reserve Bank of India should direct the scheduled banks, (i) to refrain from the exercise of undue pressure upon their clientele in the matter of insurance of hypothecated goods; and (ii) not to refuse acceptance of policies of sound Indian Insurance Companies. They also suggested that provision should be made in the Bank Act to prevent banks or their employees or nominees from holding agencies of Insurance Companies. The question was also discussed when the Committee met the Hon'ble the Commerce Member on the 8th August, 1941. Pursuant to that the Committee addressed a further letter on the 9th September, 1941, to the Hon'ble Member on the subject.

**Claims of Importers for breakage.**—At the instance of the Calcutta Chemical Co. Ltd. the Committee addressed a letter to the Calcutta Insurance Association on the 25th February, 1941, drawing their attention to the fact that certain insurance companies had turned down the claims of the importers for breakage on the ground that the under-writers' interest ceased within a fortnight from the discharge of the cargo from the Steamer. The Committee stated that while there was no objection to the enforcement of the Rule in normal times they felt that in uncertain times like the present when on account of the war it took a long time for the goods to pass through the customs formalities

if the Rule was strictly enforced and the claims refused on such technical grounds the importers were likely to be put to a considerable disadvantage. The Committee felt that it was desirable therefore that the fortnight's time limit in such cases should be extended atleast to a month. The Calcutta Insurance Association replied on the 11th March, 1941, stating that the Association could not take any action in the matter as it was the concern of individual under-writers. The Committee thereupon sent a telegram to the Institute of London Under-writers on the 4th April, 1941, drawing their attention to the provision in Marine Policies regarding underwriters' interest ceasing within 15 days of the unloading of the cargo. The Committee stated that this was causing great difficulties to importers due to the late arrival of the documents owing to war conditions and the period of ceasing of interest of the underwriters should be extended to atleast one month. The Institute of London Underwriters replied on the 9th April, 1941, stating that they were unable to extend the period but pointed out that the assured was held covered under the warehouse clause in event of delay. The matter was referred to Mr. K. M. Naik and Mr. Y. R. Patel who agreed that the insured was fully held covered when the time limit was exceeded through circumstances beyond control. The party concerned was informed accordingly.

**Question of Allowances for Reserve to General Insurance Companies—Publication of Instructions about the same in the Income-Tax Manual.**—The Committee had long correspondence on this subject with the Central Board of Revenue in the course of which it was pointed out to the Board that the new Income-tax Manual did not make the position about the allowances for reserves to General Insurance Companies clear as was done in the previous Manuals. (Page 133 of the last Annual Report). The Committee had requested the Central Board of Revenue to publish instructions regarding the same in the Income-tax Manual but the Central Board of Revenue had regretted their inability to agree to the same. The Committee addressed a further letter to the Central Board of Revenue on the 25th April, 1941, expressing their regret at the attitude adopted by the Board regarding publication of the instructions issued to the income-tax officers in this

connection. The Committee failed to appreciate as to why the Central Board of Revenue considered it necessary to withhold from the assessee the instructions issued to Income-tax officers in this connection and they again requested the Board to publish the instructions in the Income-tax Manual. The Central Board replied on 21st May, 1941, stating that the suggestion made by the Committee had been noted. The Committee addressed a further letter to the Central Board of Revenue on the 3rd June, 1941, pointing out that the present Income-tax Manual was out of print and they hoped that the new Manual which would soon be published would contain the instructions issued by the Board to the Income-tax officers in connection with allowances to general Insurance Companies.

**Difficulties experienced due to restrictions on imports and irrevocable letters of credit established by banks.**—At the instance of Messrs. Central Bank of India Ltd. the Committee addressed a letter to the Government of India on the 8th February, 1941 drawing their attention to the difficult position of various exchange banks, who had opened irrevocable and without recourse letters of credit in respect of goods the imports of which had now been prohibited by the Government of India. It was pointed out that the Banks generally established letters of credit for the party after taking only a small marginal deposit. When the party however would find that the goods in question had been included in the import restrictions and that either the goods would be confiscated or their delivery would be granted only on payment of a heavy fine they would refuse retirement of the drafts presented by the banks. On the other hand the banks could not avoid the importation of the goods into the country for although in some cases it was possible to cancel the orders it was not always possible to do so in each case. In such cases the banks would stand to lose a considerable amount obviously for no fault of theirs. The necessity of exempting such goods from the import restrictions as were already on order on the date on which the notification was issued and for which letters of credit had also been opened by a Bank, was therefore suggested to the Government of India.

**Difference between the contract price and the actual price of groundnuts and linseeds.**—Apropos the announcement

of the Hon'ble the Commerce Member that the Government of India had been credited by the U. K. Government, £1,00,000 and £15,000 respectively representing the difference between the contract price and the actual price of groundnuts and linseeds realised by the Shippers for shipment to U. K. Government, the Committee addressed a letter on the 4th July, 1941, to the Government of India pointing out that the United Kingdom Government had guaranteed the minimum price since September, 1940, but the amount credited by the United Kingdom to the Government of India was for shipments from January, 12th, 1941 to the end of April, 1941. The Committee enquired as to why the difference between the prices obtained and those allowed by the British Government between September, 1940 and January, 1941 had not been included in the contributions announced by the Hon'ble the Commerce Member. The Committee pointed out that it was during this period that the producer suffered more due to low price than in the subsequent quarter. The Committee felt that it was only fair therefore that the difference between the minimum price announced by the Government and the actual prices should be calculated from September, 1940.

**Imposition of a fee for registration of factories under the Factories Act, 1934.**—The Government of Bengal wrote to the Chamber on 3rd February, 1941, forwarding therewith a memo. regarding the proposal to impose a fee for the registration of factories under the factories Act, 1934. The Chamber's opinion on the same was invited. The Government stated that the Provincial Factory Inspection Department was established by the Factories Law for the safety of employees generally and for the welfare of labour. It was further stated that the Factories Act, 1934, and various other pieces of social and labour legislation had devolved additional work and responsibility on the Factories Inspection Department requiring augmentation of the staff. The Government were therefore of the opinion that it was neither reasonable nor equitable to ask the general body of taxpayers to pay the entire cost of factory administration for the welfare of commercial concerns and accordingly they proposed to impose a fee for the registration of factories under the Factories Act, 1934, by amending the Act in its application to the Province of Bengal so that the Provincial Factories Inspection Department might be

self-supporting as far as possible. The Government had mentioned the proposed registration fees on the basis of maximum number of persons employed on any one day in a year in factories. The Committee replied on the 25th February, 1941, stating that they were opposed to the proposal of the Government. It was pointed out that Industrial concerns had already to bear an ever-increasing amount of burden at present. The Committee further stated that the measure would retard the progress of industries in the Province. and would certainly not be in the best interests of the Province. Regarding the Government's observation that it would not be equitable to ask the general body of taxpayers to meet such cost of administration for the benefit of commercial concerns the Committee pointed out that development of industries did not merely benefit the commercial concerns but also the workers and the large class of cultivators producing raw materials useful to the industries besides being beneficial to the community as a whole in many indirect ways.

**Rules under the Bengal Moneylenders' Act, 1940.**—On the 24th June, 1941, the Committee addressed a letter to the Government of Bengal pointing out that the Moneylenders' Act, 1940, exempted from its operation such banks as were Scheduled banks on the 1st January, 1939. The other banks conducting business in the Province, which were not exempted from operation of the Act, were placed to considerable disadvantage as compared to the exempted banks, as they had to abide by all the provisions of the Act. Section 3 of the Act empowered the Government to declare such banks to be notified banks for the purposes of the Act and exempt them from these handicaps, but as the Government had not framed as yet any rules under this section these banks could not take advantage of the provisions of Section 3. The Committee therefore requested the Government to frame the rules under Section 3 of the Act as soon as possible. The Government of Bengal replied on 7th August, 1941, stating that steps were being taken to frame rules under Section 3 of the Bengal Moneylenders' Act, 1940.

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## INDUSTRY AND LABOUR.

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**Government of India's Industrial Policy.**—During the general discussion on the Finance Bill in the Central Legislative Assembly, the Hon'ble the Commerce Member made a survey of India's industrial position and dealt in detail with the present problems of Commerce and Industry and post-war economic reconstruction. In his speech, the Commerce Member had made certain general observations against the demand for rapid industrialisation.

The Committee thereupon addressed a detailed communication to the Government of India on the 28th April, 1941, pointing out that further industrialisation did not necessarily mean a cessation or checking up of the country's import trade, although it might result in an appreciable change in its character and composition. The very process of industrialisation was bound to release the large potential purchasing power of the people and also increase production, both industrial and agricultural, thus giving a fillip to the import and export trade. It was pointed out that this was borne out by the fact that although since the last European War a generation ago, India had developed some important industries like textiles, iron and steel, cement, sugar and paper, the import trade of the country had not diminished but had continued at the same level inspite of industrial advance. Moreover, apart from merchandise, there were the large imports in the shape of services, past and present, and the imports of treasure which should be taken into account.

The Committee also met the various arguments of the Commerce Member regarding balanced adjustment between Agriculture and Industry and burden imposed upon the consumer and pointed out that the importation of foreign industries in place of foreign goods was in no way to be preferred. The Committee, therefore, deplored the Commerce Member's interpretation of the term 'foreign' as "something which was foreign to the British Empire", which according to them, went even beyond the commercial safeguards which themselves



had been entirely unacceptable to the Indian commercial community and the public.

With reference to the Commerce Member's statement that under the Government of India Act, development of industries was a Provincial subject and that the Government of India could not usurp the functions of the Provincial Governments, the Committee pointed out that it was unfair to throw the responsibility on Provincial Governments while denying them the power to discharge it. They pointed out that even with the best of intentions, the Provincial Governments could not do anything effective for the development of industries in the absence of sufficient resources and without a voice in the determination of all-India policy regarding currency, tariffs, railways, etc. Under the conditions obtaining at present, the development of industries, therefore, must necessarily remain the basic responsibility of the Central Government.

The Secretary, Commerce Department, replied on the 13th May, 1941, inviting definite practical suggestions of the Chamber as to what particular industries could be developed in the present time and how and to what extent the Government could help in the development of these industries. The Committee replied on the 30th June, 1941, giving detailed suggestions on the subject. The Committee emphasised that the Government should be prepared not only to promise help to new industries even before they are started but also to assist in their establishment. Referring to the three industries of aircraft, shipbuilding and automobile the Committee stated that these illustrated the unsatisfactory attitude of the Government towards Indian efforts to build up key and heavy industries and indicated the difficulties and obstacles of promoters of new industries in this country. As for suggestions regarding the development of indigenous industries the Committee suggested that the Government of India should be prepared to grant an assurance of protection when approached by suitable industries ; that they should encourage industries by extending their patronage in the matter of purchases particularly at the present time when large scale purchases were made by the Supply Department. After giving detailed suggestions regarding necessity to grant import tariff concessions relating to raw materials and machinery and the desirability of

Government help in securing increased shipping space, exchange facilities and service of technical personnel, the Committee stated that in dealing with all these matters what was needed above all was a change of spirit on the part of the Government to one of solicitude for an active interest in Indian enterprise. The Committee further suggested the appointment of a National Industrial Council composed of leading Indian industrialists of national outlook, eminent scientists, trained economists and some distinguished administrators to guide and advise the Government in regard to their economic, financial and industrial policy. The Committee also made suggestions regarding the procedure for considering applications for protection from industries.

**Industrial Reconstruction.**—In late June the Government of India announced the constitution of the Industrial Reconstruction Committee. The Committee thereupon addressed a detailed communication to the Government of India on the 30th, June, 1941, pointing out that the Indian mercantile community had been disappointed to find that the Postwar Industrial Reconstruction Committee appointed by the Government of India was a purely inter-departmental and official body. The Committee emphasised that in India the Post-war Problem was primarily one of seeing how production begun during war time was readjusted, continued and expanded during the Post-war period. The problem was not mainly administrative but one of planning the future course of industrialisation and it was for this reason that the Indian Commercial community had been insisting upon the appointment of a non-official committee with whom could be associated senior officials of the various departments. The Committee stated that although the Government proposed to 'associate' non-official businessmen with the sub-committees of the Reconstruction Committee, it was the Central Co-ordinating Committee which would lay down the plans and the policy in the formulation of which the representatives of the commercial community should have had the main say. The Committee expressed disappointment that all the four sub-committees set up by the Reconstruction Committee would be presided over by four non-Indian officials.

Referring to the functions of the Industrial Reconstruction Committee, the Committee stated that the whole conception went

contrary to the expectations of the Commercial community. With the great scope for industrialisation in India, the problem of employing skilled or unskilled workers and of utilising the plant and material in the postwar period should not present serious difficulty. The question would only be to see as to how best the extra productive capacity brought into existence during the war was continued and expanded so as to be conducive to a speedy development of industries in the country with a view to make it self-reliant in matters of defence and applying the necessary corrective to the lopsided development of the country's economy dependent as it was mainly upon agricultural production and its export. The Committee hoped that the technical personnel and the increased industrial capacity would be fully absorbed by post-war needs of the country if the efforts were rightly directed. The Committee expressed their doubts if the purpose of post-war industrial readjustment, as pointed out by them would be achieved in a manner most advantageous to the country by the Industrial Reconstruction Committee appointed by the Government with its present personnel and policy.

Referring to the appointment of the Four Reconstruction Committees—first for Labour and Demobilisation, second for Disposals and Contracts, third for Public Works and Government Purchases and the fourth for International Trade Policies and the fifth, Co-ordination Reconstruction Committee—the Committee further addressed a detailed communication on the 5th September, 1941, to the Government of India pointing out that while they appreciated that the four different lines of approach adopted by the Government in connection with Post-War reconstruction work would generally cover the economic problems arising during the Post-War\*period, they strongly felt that there should be another Committee composed predominantly of Indian Businessmen having practical experience of trade and commerce in order to advise Government on problems connected with Industrial development. The Committee emphasised that it was desirable that the work of the four Reconstruction Committees should proceed on the basis of a co-ordinated scheme of general Industrial development which the country greatly needed. The Committee stated that they were aware that aspects of the problem of Industrial development would be covered by the

activities of the existing four Committees but they would point out that these Committees would look at problems from their respective viewpoints without visualising them in the broader perspective of Industrial development. The Committee further stated that they felt that apart from the problems covered by the four existing Reconstruction Committees, there would be various other matters connected with the establishment of new industries which would require careful consideration. They therefore recommended that an additional Committee for problems connected with Industrial development should be appointed.

The Committee also enquired whether the Co-ordination Reconstruction Committee would only be concerned with supplying the facts and figures required by the other four Committees or as stated in the Government of India Press Note "will be responsible for giving guidance where necessary to the work of the other Committees". It was also stated that while the Committee appreciated that the Co-ordination Committee which included only officials might be useful in enabling the other four Committees to procure expeditiously such information and data as they required and which only Government Departments could supply, they desired it to be made clear that the four Reconstruction Committees should not have the scope of their work limited in any way as a result of the "guidance" of the Co-ordination Committee which was almost wholly a Non-Indian Official Committee and did not include representatives of trade and Commerce.

**Proposal to establish a Council to advise the Government of Bengal on problems relating to the Industrial Development of the province.**—The Government of Bengal wrote to the Chamber on 25th August, 1941, inviting views on a proposal received by them for the establishment of a council to advise them regarding problems relating to the Industrial Development of the province. A statement outlining the Constitution and working procedure of the Council was enclosed and it was stated that in framing their views, the Chamber might take into account the functions of the three bodies already working in this sphere.—(1) The Bengal Board of Industries which administered the State-aid to Industries Act. (2) The Bengal Industrial Research Board which dealt with problems of industrial research and (3) The

Bengal Industrial Survey Committee which was investigating into the problems and possibilities of various types of industries in Bengal. The Council as proposed was to comprise of Ministers of Industries and also Commerce (so long as the portfolios were held by different Ministers), one of the Secretaries to the Government, the Director of Industries and his Deputy and seven more non-official members. The Committee after considering the matter replied on the 11th September, 1941, to the Government stating that in view of the fact that the Bengal Industrial Survey Committee was already working, the establishment of an Industrial Council as suggested would be an unnecessary duplication of efforts and that they felt that the question might well be considered after the Industrial Survey Committee had completed their work and submitted their report.

**Possibility of substituting indigenous vegetable dye-stuffs for the imported ones.**—The Secretary, Local Branch, All India Spinners' Association forwarded to the Chamber on the 10th January, 1941, a copy of his letter addressed to the Director of Industries, Bengal in which it was stated that Bengal and Behar used to produce large quantities of Indigo which, after meeting the demand of the home market, used to be exported. Since, however, Germany prepared Synthetic Indigo from Napthalin, the Indian export trade stopped and India on the other hand began to import Synthetic Indigo from Germany. If the import of Indanthrenes, Hydrone and Caledon Blue were restricted, the local manufacture of Indigo could again be revived. Similarly for the red shade Manjistha was used but the same was replaced by Alizarine and Napthal or Benthol shades. If the import of the same could also be restricted, the indigenous dyes could again be revived. The Committee thereupon addressed letters to the Ahmedabad, Bombay and Bengal Millowners' Associations drawing their attention to the matter and inviting their views on the same. The Bombay Millowners' Association replied on the 11th March, 1941, stating that there was no reliable evidence to show that the indigenous product would be a satisfactory substitute for the imported dyes and further, there were hardly any statistical data to show that the supply of indigenous dyes in the country was sufficient to meet the demand for the same. The Association suggested that

the matter may however be referred to the Board of Scientific and Industrial Research. The Ahmedabad Millowners' Association replied on the 12th February, 1941, stating that an extension of the restriction scheme to the imports of various dyes and colours prior to extensive experiments would be a wrong policy. The Bengal Millowners' Association replied on the 7th April, 1941, stating that while they fully agreed that manufacture of indigenous vegetable dyes should be encouraged, they were not in a position to support the proposal for further restriction at this stage, as the restrictions already imposed had adversely affected the textile industry. The Committee thereupon addressed a letter to the Director, Board of Scientific and Industrial Research on the 18th April, 1941, inquiring about the possibility of some of the indigenous dyes replacing imported ones and drawing his attention to the desirability of encouraging the manufacture of these dyes with proper standardisation, in the country. They were also requested to place the matter before their Vegetable Dyes Committee. The Board replied on the 30th June, 1941, forwarding the views of their Vegetable Dyes Committee on the question. It was stated that on account of their limitations as dyeing materials, satisfactory to the needs of the present day textile mill, the natural colouring matters with very few exceptions were unable to compete with synthetics, and that as soon as the pressure of war was over and normal conditions were restored these natural dyes were likely to be abandoned. The few natural colouring matters which might have permanent technical value, however, were no doubt worth fuller investigation and the lines on which such work might be pursued had already been indicated by the Vegetable Dyes Committee. The reply also dealt in detail with those vegetable dyes which had been particularly referred to by the Chamber.

**Utilisation of Industrial Research.**—The Government of India Department of Commerce, sent to the Chamber a circular letter on the 1st April, 1941, along with a copy of the non-technical notes prepared under the auspices of the Board of Scientific and Industrial Research on various Industries. The Government requested the Chamber to circulate the information amongst its members so that if any members of the Chamber were interested in the development of any of these industries

they might communicate with the Government. The Committee issued a circular to members on the subject on the 4th April, 1941.

**Necessity to publish an Annual Report about the activities of the Board of Scientific and Industrial Research.**—At the instance of Mr. G. L. Mehta Committee addressed a letter to the Government of India on the 8th February, 1941, drawing their attention to one of the recommendation of the 12th Industries Conference that the proceedings of the Board of Scientific and Industrial Research should be circulated to the Provincial and State Governments as early as possible after the meeting of the Board. The Committee suggested that these proceedings should also be made available to the various Chambers of Commerce as the Commercial Community were keenly interested in the activities of the Board and it was desirable that Chambers of Commerce were also apprised of the proceedings of the Board as early after the meeting of the Board as possible. The Committee further suggested that the Government should publish an Annual Report of the activities of the Board of Scientific and Industrial Research. It was pointed out that it would be desirable if the activities of the Board were summarised in an Annual Report and the same was made available for the information of the public, the Scientists and the Chambers of Commerce interested in the work of the Board.

**Production of motor spirit from coal: Work of the Fuel Research Station.**—The Committee addressed a letter on the 17th September, 1941, to the Government of India on the subject of production of motor spirit from coal and the work of the Fuel Research Station. Referring to the steps already taken by the Fuel Research Committee of the Board of Scientific and Industrial Research in this connection, the grant of a sum of Rs. 10,000 for Research work in connection with low temperature carbonisation of coal at the University College of Science, Calcutta and the installation of a pilot plant by the Government of Behar for this purpose at the Science College, Patna, the Committee stated that, while they appreciated the experiments carried out by the Government, they felt that the time had now come when the Government should evolve a definite scheme for the industrial production of motor spirit by utilisation of coal. This question, they stated, had

assumed special urgency in view of the petrol rationing scheme which the Government had enforced and which had put the public especially the business community to considerable inconvenience in keeping up even their necessary activities. They pointed out that India possessed fairly large resources of second class coal from which motor spirit could be successfully produced. They then referred to the steps which had been taken by a large number of foreign countries in this direction and the success which had attended their efforts. The Committee stated that they felt that, in view of the large quantities of motor spirit being produced in foreign countries by the high pressure Hydrogenation and low temperature Carbonisation of coal and the Fischer-Tropsch process in Germany, which had considerably increased the world production of synthetic oil, India with its annual production of 28 million tons of coal should present no difficulty in this respect. Apart from fulfilling the urgent needs of liquid fuels which the carbonisation of coal would supplement, other useful by-products would also be available. Regarding the starting of a Central Fuel Research Station, the Committee suggested, that the sum of Rs. 3 lacs which was lying with the Indian Coal Grading Board should be utilised for the establishment of the Research Station. The Committee here mentioned the vast sums which were being spent in foreign countries on fuel research. In view of the meagre petroleum resources of India and on account of the immediate problems arising out of the motor spirit rationing order, the Committee requested the Government to proceed immediately with the programme of industrial production of motor spirit from coal and also to accelerate the scheme for the establishment of the Central Fuel Research Station.

**Schemes of Industrial Research for the Bengal Industrial Research Board.**—In connection with the programme of research works undertaken yearly under the aegis of the Bengal Industrial Research Board, the Director of Industries, Bengal, requested the Chamber on the 20th November, 1941, to intimate to him if any of the members of the Chamber had any scheme of research of immediate importance to suggest for being financed by the Industrial Research Board. He further requested for particulars as to the place of research, name of the investigator under



whom the Research would be carried on, financial implications and the period required to complete the work. A circular was issued to members on the subject.

**Thirteenth Industries Conference.**—On the Government of India proposing to hold the Thirteenth Industries Conference during the cold weather the Federation of Indian Chambers of Commerce and Industry invited subjects for discussion at the same. The Chamber made the following suggestions : (1) that the proceedings of the Board of Scientific and Industrial Research should be made available to the various Chambers of Commerce, and (2) that an Annual Report of the activities of the Board should be published for the information of the interested public.

The Federation further wrote to the Chamber that they had decided to forward the following subjects for discussion at the Conference.

- (1) Manufacture of Motor Cars in India.
- (2) Manufacture of Power Alcohol from Molasses, and
- (3) Manufacture of liquid Fuel from Coal.

**Industrial standardisation.**—The Government of India wrote to the Chamber on the 12th May, 1941, inviting views on the question of standardisation of Industrial products. The Government had referred to the discussions on the question in the Twelfth Industries Conference and in the various Imperial Conferences and forwarded a copy of the Government of Bombay's memorandum placed at the Industries Conference submitting that a separate organisation for the purpose of Industrial Standardisation should be set up by the Government of India as soon as practicable. The Committee replied on the 18th July, 1941, to the Government stating that they agreed that it would be to the advantage both of manufacturers and consumers to have a system of standardisation of industrial products. They pointed out that in some cases like the sugar and coal industries standardisation had already been achieved to a certain extent. Regarding textile manufacture the Committee were of the opinion that standardisation might be helpful so far as exports were concerned. But as regards internal consumption they pointed out that it was not practicable to have standardisation in textile products owing

to the vastness of the market and demand for diverse varieties and partly because cotton was not available on standardised basis. The Committee also suggested that a separate organisation should be set up by Government for the purpose; the standard specifications being fixed by a non-official Committee with Indian majority.

**Sugar Rationing in Burma.**—On the publication of a Press Report to the effect that a Sugar Rationing Scheme had been enforced by the Burma Government from the 29th October, the Committee sent a telegram on the 8th November, 1941, to the Government of India, in which they drew attention of the Government to the undertaking given by Burma under the Indo-Burma Trade Agreement to import sugar required in excess of their local production from India. The Committee pointed out that as Burma's average consumption exceeded her annual production by about 15,000 tons, it would be desirable if the Government of India took up the matter with the Burma Government and pointed out that the shortage of sugar experienced by them could be met by exports from India, thus making rationing unnecessary. The Committee also requested the Government of India to insist on the Burma Government's implementing the undertaking given by them under the Indo-Burma Trade Agreement referred to above.

The Commerce Minister to the Government of Burma replied on the 19th December, 1941, to the Chamber's telegram to the Government of India in course of an interview to the Associated Press. He stated that the declared policy of the Government of Burma was to satisfy any sugar demand in excess of local production (except classes specifically excluded by the Indo-Burma Trade Agreement) by means of imports from India. The Minister further said that over the 10-year period from 1930 to 1940, the annual consumption of sugar in Burma averaged just over 34,000 tons. Over the corresponding crushing seasons the production in Burma steadily increased from 1927 tons in 1930-31 to 26,956 tons in 1939-40. In 1940-41, crushing season, he further stated, local production reached the peak figure of 39,328 tons. An abnormal demand, however, the Minister further stated, made this production insufficient to satisfy requirements. The abnormal situation was therefore met in accordance with

his Government's declared policy by imports from India and the imports were on rationed lines only to ensure that accumulations did not jeopardise the local production position in the following season.

**Liability of employers to pay compensation to employees for injuries due to war.**—The Committee were informed that at the out-break of the War, Insurance Companies tacitly accepted under Workmen's Compensation Policies the liability of employers to pay compensation to employees for war injuries although these war risks were not originally contemplated under such policies. This was done because the insurance companies expected that legislation would be soon enacted on the lines of that in the United Kingdom relieving employers from liability to pay compensation for war injuries. Since no such legislation had been till now introduced, the insurance companies had given notices cancelling the existing policies. The Committee thereupon addressed a letter dated the 19th July, 1941, to the Government of India drawing their attention to the matter and requesting them to enact suitable legislation as soon as possible relieving employers from such liability. It was also suggested that the Government should undertake this liability themselves as was done in the United Kingdom. A telegram was also addressed to the Government in this connection. The Government of India subsequently promulgated the War Injuries Ordinance, 1941, relieving employers from the liability to pay compensation damages in respect of war injuries.

**Proposal of the Malayan Government to amend the Malayan Labour Code in connection with recruitment of Javanese Labour for Malaya.**—The Committee addressed a letter on the 20th November, 1941, to the Government of India department of Indians Overseas, strongly protesting against the manner in which the Malayan Government proposed to amend the Malayan Labour Code by introducing a Bill in the Legislative Council, in order to make available, for the recruitment of Javanese Labour, certain sums of money constituting what is known as the Indian Immigration Fund. The Committee pointed out that this fund was made up of monies paid by the employers of Indian Labour, Europeans, Indians, Chinese and others, into the hands of the Controller of Labour to be maintained by the

Indian Immigration Committee for and on behalf of Indian labourers in Malaya. The Malayan Labour Code laid down the provisions according to which the Fund was to be collected and maintained and the purposes for which it was to be utilised, such as payment of free passages for Indian labourers and their families, the general expenses incurred in connection with the recruitment of Indian labourers and their Quarantine and transport after arrival in Malaya and the maintenance of homes for the decrepit and the unemployed Indian labourers and of orphanages for Indian children.

The Committee observed that any attempt on the part of the Malayan Government to use the Immigration Fund for purposes other than those laid down in the Labour Code would constitute a grave injustice to nearly 6 lakhs of Indian Labourers in Malaya and urged upon the Government of India to take prompt action in bringing pressure to bear upon the Malayan Government to withdraw the amending Bill then before the Legislative Council.

**Supply of Electric Energy to Industrial Concerns.**—On the 3rd April, 1941, the Committee addressed a letter to the Calcutta Electric Supply Corporation Ltd., stating that their attention had been drawn to several cases where the Electric Supply Corporation when approached by industrial firms for supply of electrical energy for power purposes had asked them to produce documentary evidence to show that the supply of energy was required for the production of war materials. The Committee stated that they were aware of the fact that the Government of India had appointed an Electrical Commissioner and one of his duties *inter alia* was to ensure that ordnance and other factories engaged on important war work received supplies of energy that they required. No general direction had however been issued by the Commissioner whereby the supply of electrical energy was to be restricted to only such industrial concerns as were actually engaged on war work. The Committee pointed out that such a general restriction even if applied to Industrial concerns not directly producing materials for war purposes might ultimately hamper the war effort. Moreover, it was stated, smooth running of industries was important from the point of view of sustaining normal

economic life, the maintenance of which was essential even for war purposes. It was therefore hoped that no general restriction would be placed on the supply of electrical energy to industrial concerns. A copy of the letter was also sent to the Electrical Commissioner to the Government of India. He replied on the 8th April, 1941, stating that the enquiries made by the Calcutta Electric Supply Corporation were due to the preliminary warning issued by him a few weeks ago that the Corporation should maintain a proper standard of reserve generating capacity both for the purpose of maintaining security of supply to existing consumers and to meet the anticipated war loads. He agreed with the Chamber's statement that supplies of electric power to industries not actually engaged on war work were nevertheless a matter of great national importance and not without their effect on war effort itself. He pointed out that the increasing tempo of industrial activities had resulted in rapidly increasing demands for electric power and this had been particularly noticeable in the Calcutta District. Moreover, he explained, a public electric supply undertaking was required to plan its requirements of generating capacity a long way ahead due to the length of time required to manufacture and commission large generating units and that not only had load development been greatly accelerated by the effect of the war on industries generally but in many cases undertakings had been unable to obtain delivery of the generating plants which they ordered. Accordingly a situation was approaching in certain places where there was too much load for the undertaking to deal with if proper reserves of plant were to be maintained for meeting overhauls, breakdowns, accidents etc. He further stated that while it was likely that certain restrictive measures might have to be introduced in order to safeguard the security of power supply (having particular regard to the requirements of munitions factories and essential public services) it was his desire to make as few restrictions as possible. He assured that the case of industrial loads would however receive special consideration.

The Calcutta Electric Supply Corporation also replied on the 8th April, 1941, explaining their position in this connection. The Committee thereupon decided that further information be collected from members on the subject.

On receiving further complaint from a member about difficulty in obtaining electrical energy for a rolling mill, the Assistant Secretary personally saw the Electrical Commissioner. The latter explained the position about the power supply in Calcutta in the course of the interview. He, however, promised to issue the necessary license in the particular case.

**Fact Finding Committee ( Handlooms and Mills ).**—The Director of Industries, Bengal, wrote to the Chamber on the 23rd September, 1941, requesting to nominate one representative to tender evidence before the Fact Finding Committee ( Handlooms and Mills ) on behalf of the Chamber. The Committee nominated Mr. M. L. Shah to tender evidence on behalf of the Chamber and informed the Director of Industries, Bengal, accordingly on the 7th October, 1941.

**Shortage of Cotton-yarn and Cloth.**—The Committee had addressed a letter on the 3rd. October, 1941, to the Government of India stating that the factors responsible for the acute shortage in the supplies of yarn and cloth in the country were (1) the heavy demand for cloth and yarn manufactures from the Government of India for the defence services, (2) pressing demands from the Eastern Group Countries both for war purposes and civilian needs, as also the great demand in some of the neighbouring markets such as Straits Settlements, Afghanistan and Iran for Indian textile goods, and (3) this heavy demand for cloth and yarn manufactures synchronising with a considerable reduction of imports of cloth into India from the United Kingdom and Japan. The Committee considered that this increased demand could be met to a certain extent if all the 400 mills in the country worked for 24 hours on all days which would increase the production by about 25 to 30 per cent. To meet the difficulty with regard to the production of certain finer count piece-goods for foreign markets on account of the insufficient supplies of long or medium staple raw cotton and help the Indian cotton cultivator who was finding it hard to dispose of the large stocks of surplus raw cotton on account of the off-take of Indian short staple cotton having been stopped consequent on the freezing of the trade with Japan, the Committee had suggested that the Government should readjust the specifications of the cloth they required and accept, as much as possible, cloth made of short staple and medium staple cotton which would

incidentally also cause civilian requirements to gradually adjust themselves to the coarser variety of cloth made from Indian short staple cotton. The Committee had further suggested that the Government should facilitate the imports of preparatory machines and other machines from U. K. and U. S. A. to enable the mills to change the production from medium and finer counts to coarser counts of below 18 with a view to utilising the Indian short staple cotton. But since the adaptation to short staple cotton would take some time, the Committee suggested that in order to meet the immediate requirements, provisions under the Factories Act should be relaxed to permit the mills to work to the maximum capacity. The Committee had also suggested that the Government should allow a more generous percentage of depreciation than was allowed to the textile mills to recompense them for the extra strain on the machinery due to the 24 hours working. The Committee lastly suggested that the present burden of high taxation, which deprived incentive for industrial enterprise and operated as a handicap to industrial progress, should also be reduced.

The Government of India replied on the 1st December, 1941, stating that a Cotton Textile Standardization Committee had been set up by the Government in Bombay whose main purpose would be to consider from time to time the Specifications of the Cotton Textiles required for the Ordnance Services. The Government also fully appreciated the necessity of increasing the production of cotton textiles in India and stated that the Provincial Governments had recently taken action under the Factories Act, so as to permit an increase in working hours. They further stated that suitable assistance was always available for the import of machinery designed to help the war effort and the effect of greater production on depreciation allowances and taxation would be considered if the case was properly stated to the Government of India.

**Shortage of Chlorate of Potash and Amorphous Phosphorous.**—At the instance of member match-factories, the Committee addressed a letter on the 14th November, 1941, to the Government of India, referring to the existing low stocks of these articles with the factories and pointing out the desirability of Government permitting and assisting import of the same from U. S. A. It was stated that previously the match factories used

to import these articles from Germany, France and Switzerland, but after the outbreak of the war the same had been imported mainly from U. S. A. and Japan. The imports from the latter had, however, now been stopped and U. S. A. was therefore the only supplier from which the Chemicals were now available. The Committee, however, understood that there was a restriction imposed in that country upon exports of these articles and the Indian match manufacturers therefore found it increasingly difficult to obtain the same. As the existing stocks with some of the factories were very low the Committee requested the Government to arrange immediately with the Purchasing mission in U. S. A. so that supplies of these articles might be available to Indian match manufacturers.

The Government of India replied on the 19th November, 1941 stating that they were doing everything they could to assist the importers of Chlorate of Potash and Amorphous Phosphorous, who desired to use them in the Manufacture of matches. These chemicals, the Government further stated, were in short supply, both in the U. K. and U. S. A. and it was necessary therefore that the demands on both these countries should be very carefully considered and fully justified in respect of quantity etc., if the Government should assist in getting supplies of these chemicals. The Government of India therefore suggested that the Chamber might instruct the particular importer or importers to place their case before the Commerce Department and explain to the Government the nature and extent of the assistance required for the import of the Chemicals.

The information was conveyed to member match manufacturers who were advised to explain their requirements fully to the Commerce Department. An enquiry has also been made as to whether it is possible to manufacture these chemicals in India and if any experiments have been undertaken or proposed in this connection.

**Difficulties in obtaining Technical Experts for Industrial Concerns.**—On the 14th May, 1941, the Committee addressed a letter to the Government of India, drawing their attention to the difficulties experienced by industrial concerns in obtaining technical experts for their factories. The Committee



stated that without an adequate Technical Personnel it was difficult to work in the industries as also to establish new industries in the country. A further letter was addressed to the Government of India on the 28th July, 1941, in which the Committee referred to a case of a member firm in which Visas had been refused by the Government to two experts to come to India and to the difficulties to which the firm had been put to as a result of the same. The Committee requested the Government to reconsider the matter and help industrial concerns in obtaining the technical staff they required. A reply dated the 18th September, 1941, was received from the Government of Bengal, stating that they had given due consideration to the matter but regretted that in view of the present international situation, no visas to foreign experts could be granted. A further letter was thereupon addressed to the Government of India reiterating the desirability of the Government helping industrial concerns in obtaining technical experts. The Government of India replied on the 30th October, 1941, stating that before any foreign experts could be brought into the province, the provincial Government must be satisfied by the Firms concerned that this could be done without any danger to the security of the province. The Committee thereupon addressed another letter to the Government of India on the 13th November, 1941, requesting them to reconsider the matter as maintenance of the existing industries and development of new ones was necessary not only for supplying the civil needs but also for war purposes and the same could be ensured only if qualified technical experts were available to the industries.

**Advisory Committee under the Trade Marks Act.**—It was stated on page 149 of the last Annual Report that the Committee had addressed a letter to the Deputy Registrar of Trade Marks, Bombay suggesting that two Advisory Committees should be established, one at Bombay and the other at Calcutta as at both these places Trade Marks Registry Offices were situated. The Registrar of Trade Marks replied on the 8th January, 1941 stating that a suggestion had been made that there should be only one Committee for the whole of India and that the said Committee should meet at Calcutta or Bombay in accordance with the requirements of the Registrar or the Deputy Registrar as

the case may be. He further stated that this suggestion did not appear to be open to the same objection which was applicable in the case of a single Advisory Committee stationed at Bombay only and provisionally it appeared that the convenience of the textile trade at Calcutta as well as at Bombay and other centres could be secured by having on such Committee representatives of various textile interests from all over the country. The Chamber was invited to express its opinion in the matter. The Committee replied on the 20th January, 1941 stating that as the proposed Advisory Committee would include representatives of the various textile interests all over the country, they did not see any objection to the proposal and were agreeable to the same.

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## TRANSPORT—RAILWAYS.

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**Purchase of B. B. & C. I. and A. B. Railways.**—The Committee addressed a letter to the Railway Board on the 15th November, 1940, drawing their attention to the question of the purchase by the Government of the B. B. & C. I. and the A. B. Railways. The Committee pointed out that under the terms of the contracts with the two Railways, the same could be determined by the Government on the 31st December, 1941, by giving twelve calendar months' notice. The Committee stated that they were strongly of the opinion that the Government of India should avail of this opportunity of purchasing these two railways. Apart from the question of principle in the purchase of company-managed railways as and when their contracts expire, the Committee further pointed out, the purchase of the B. B. & C. I. Railway system also offered financial advantages. The property vested in the former B. B. & C. I. guaranteed railway company was purchased by the Secretary of State on the 31st December, 1905, on which date all the contracts then subsisting between the Secretary of State and that company were determined, and the company was reconstituted. The purchase price was fixed at the sum of £11,685,581 and the Secretary of State agreed to create and issue to the company on the 31st December, 1905, 'India 3 percent stock' to the amount of £10,089,146 in satisfaction of

£9,685,581, part of the purchase price, the company raising a new stock capital of two million pounds being the unpaid balance of the purchase money of £11,685,581. The B. B. & C. I. Railway Company had been regularly making profits for a past number of years and the percentage of the net earnings on total capital outlay or capital-at-charge had been steadily maintained at 5 to 6 percent. The Committee further stated that the total capital at charge in the year 1939-40 was Rs. 94.35 lacs and the average profits to the Government from the results of working for the last six years amounted to Rs. 220 lacs per year. The company made a profit of Rs. 1,89,95,000 in 1938-39, Rs. 2,29,50,000 as shown in the revised estimate for 1939-40, and the Budget estimates for 1940-41 showed a profit of Rs. 3,00,44,000. This profit was calculated after deducting all expenses including interest on capital. The interest paid on the company's capital rose from Rs. 13,47,000 in 1938-39 to Rs. 13,52,000 in 1939-40. On the basis of these facts, the Committee felt no doubt that the purchase of B. B. & C. I. Railway would be a financial gain to the Government.

As regards the A. B. Railway, the Committee pointed out that the Railway and its appurtenances were also the absolute property of the Government who had an option to determine the contract on the 31st December, 1921. The Committee regretted that the Secretary of State did not exercise his power to determine the contract in 1921 as also in 1931 and they felt it was essential that in pursuance of the general policy of acquiring company managed railways, this Railway should be now acquired and placed under direct State management. The Committee were aware that the working of the Railway showed a loss to the State of about 60 lacs per year for the past few years. In 1938-39 there was a loss of Rs. 65,64,000 in 1939-40 the same was Rs. 56,96,000 and the estimated loss for 1940-41 had been Rs. 42,13,000. This was calculated after deducting all expenses including interest on the company's capital, the interest paid being Rs. 6 lacs in 1938-39 and Rs. 6,02,000 in 1939-40. There was however, it was pointed out, a definite provision in the contract that if the line be worked at a loss for three consecutive half-years, the Government had an option to determine the contract. The Committee realised that

the Government might hesitate to purchase a company, the result of the working of which did not show profit but they suggested the possibility of the A. B. Railway being amalgamated with the metre gauge section of the Eastern Bengal Railway which had a length of 1039 miles. The broad gauge section of the E. B. Railway could be taken over by the East Indian Railway adding 900 miles to its total length. The Committee believed such amalgamation would result in considerable economy of working and the average loss shown in the working of the A. B. Railway might be considerably reduced.

The Committee further referred to the discussion they had on the question of acquisition of company-managed Railways with the Hon'ble Sir Andrew Clow, Communications Member of the Government of India, the year before and stated that Sir Andrew had remarked that the Government of India had not reached any final decision on the question of policy regarding the purchase of private-managed Railways and that when the Federal Railway Authority would come into existence the whole question might be decided by them. The Committee pointed out that the political conditions in the country had however greatly changed and the date by which the Federal Railway Authority would come into existence was very uncertain. As the periods of option in respect of the A. B., the B. B. & C. I. and the B. & N. W. Railways were drawing near, it was essential, therefore, that the Government of India should come to a definite decision in the matter. Moreover, as regards the general question of the acquisition of company-managed Railways, the Committee referred to the unanimous recommendation of the Indian Railway Committee commonly known as the Acworth Committee that the "system of management of companies of English domicile should not be continued after the termination of their existing contracts" and to the debate which took place in the Legislative Assembly on the 27th February, 1923, on a Resolution regarding State management of Railways in India as a result of the Acworth Committee's recommendations, when Mr. (later Sir) C. A. Charles Innes, the then Commerce and Railway Member, declared the Government's policy on the subject by Stating that he was prepared to admit that logically it was difficult to defend the

existing system of company management in India. The decision of the Legislative Assembly, the Committee further stated, in favour of State management of Railways had been unequivocal since the Acworth Committee reported. The question of the merits of State versus company management was, in fact, the Committee felt, hardly pertinent for Indian railway lines were in the main the property of the State and the major portion of their capital was also owned by the Government. The Committee therefore, strongly urged that it is essential that the Government should reiterate their definite policy about the question of purchasing company-managed railways in pursuance of the principle laid down by the Acworth Committee and followed by the Government till now. It was subsequently learnt that the Govt. of India had decided to purchase both the B. B. & C. I. and the A. B. Railways.

**Closing of Branch Railway Lines.**—It was stated on page 101 of the last Annual Report that the Committee had written a detailed letter to the Railway Board protesting against the closure of various branch railway lines without looking to the convenience of the public. The Railway Board replied on the 15th February, 1941, stating that so far as the Kalukhali-Bhatiapara line was concerned, the Government of India had decided to suspend the orders for its dismantlement. The Railway Board further stated that the Government were not yet in a position to give any final assurance that the closing of the line was independent of urgent war needs and might not become necessary at a comparatively short notice.

Learning that the East Indian Railway were contemplating to close the Bhagalpore-Mandar Hill section of the Railway from the 15th August, 1941, the Committee addressed a telegram on the 12th August, 1941, to the Railway Board pointing out that large quantities of raw materials particularly china clay were moving from stations on that section; and dis-mantling of the line would, therefore, greatly dislocate supplies to industrial concerns in Calcutta using china clay, some of whom were engaged on War work. The Committee therefore requested the Railway Board to reconsider the matter. The matter was also discussed when the Committee met the Hon'ble Sir Andrew Clow, Communications Member on the 18th August, 1941. A reply

dated the 24th October, 1941, was also received from the Railway Board stating that the Government had been called upon to meet urgent demands for railway track for essential war purposes and these demands had as far as possible been met from spare stocks and acceleration of relaying programmes. But the supply from such sources had been insufficient and it had been found necessary to obtain the requisite track by closing and dismantling certain branch lines. The Government stated that they had selected for closing, branches with suitable type of tracks that (1) were either not remunerative or insufficiently so or (2) were those serving areas adequately provided with other forms of transport facilities. They added that in every instance the Provincial Governments and the Indian States concerned had been consulted before doing so.

**Railway Rates for coal to Bangalore.**—At the instance of the Mysore Chamber of Commerce, the Committee addressed a letter to the Railway Board on the 28th February, 1941, inviting their attention to the necessity of reduction in railway freight on coal booked to Bangalore. The Committee pointed out that except for a small reduction of Rs. 0/11/5 per ton in the rate of Bengal coal made on 1st April, 1935, the present rate was practically what it was in 1920. The Committee pointed out that the distance between Bengal collieries and Bangalore was not longer than the distance between the Bengal collieries and stations like Madras, Bombay, Karachi and Ahmedabad but the freight for Bangalore was dis-proportionately high. The Committee pointed out that the Mysore State provided great opportunities of industrial development and if the railway freight on coal was adjusted at a more reasonable level the coal traffic for Mysore would be stimulated and the railway would themselves gain therefrom. The Committee also stated that although the Railway Board had constituted a special rate structure for coal traffic in order to enable the consuming centres distant from the coal fields to participate with those nearer in the cheaper rate and with the object of encouraging the development of industries and popularising the use of coal, the rate structure was in actual practice confined to Northern India whereas the South, situated as it was at a greater distance from Bengal and Bihar coal fields should necessarily have been given the benefit of a special rate. The

Committee requested the Railway Board to prevail upon the M. & S. M. Railway to agree to the arrangement by which the entire distance from Bengal to Mysore would be treated as a whole distance. The Railway Board replied on the 13th March, 1941, forwarding a copy of their letter of 28th February, 1941, addressed to the Mysore Chamber of Commerce. The Railway Board had stated in their letter that the matter had been carefully examined by the M. & S. M. Railway who did not see any justification for adopting the Bengal scale for coal over their entire system. The Railway Board further stated that the M. & S. M. Railway's examination indicated that if the Bengal scale were applied over the whole of the system on the through distance, there would be a considerable loss in revenue, while there was no possibility of a substantial increase in the traffic which would make good this loss, and the Railway Board therefore did not consider it reasonable to ask the M. & S. M. Railway to reduce the rate for coal.

**Enhancement of Railway Rates for Paper.**—At the instance of the Orient Paper Mills Ltd., the Committee addressed a letter to the East Indian Railway on the 4th June, 1941, drawing their attention to the enhancement of the rates for paper as a result of the withdrawal of certain exceptions for paper by the Railway. The Committee stated that the case of the paper industry and the circumstances in which the Industry found itself demanded special consideration. The Committee requested the Railway to reconsider the matter and re-introduce the previous rates. The East Indian Railway replied on the 18th June, 1941, forwarding therewith a copy of the letter addressed by them to the Indian Paper Makers' Association on the subject. The Railway had given a detailed reply pointing out that the special rates of paper had been withdrawn gradually during the course of a number of years in order that the Industry might not be adversely affected. The subject was also discussed at the 29th Informal Quarterly Meeting.

**Exemption of Oil Cakes from the increased charge.**—The subject of exemption of Oil Cakes for manurial purposes from the increased charges was forwarded by the Chamber for discussion at the 26th Informal Quarterly Meeting. Referring to the discussion on the question in the 27th meeting the Chief

Commercial Manager, East Indian Railway wrote to the Chamber on 5th March, 1941, inviting the Chamber to submit their proposals in connection with the issue of certificates by an approved authority so as to allow exemption of oil cakes from the increased charges. The Committee replied on 8th April, 1941, pointing out that in certain cases in which the issue of the particular consignment of oil cakes being meant for manurial purposes was not in question at all, it was not necessary for the Railway to insist on getting a certificate to that effect. The Committee pointed out that for instance, Groundnut and Mowha oil cakes booked to Tea estates were used for no other purpose except as manures. In other cases the Committee suggested that a certificate granted by Chambers of Commerce should be deemed to be sufficient. The Chief Commercial Manager, East Indian Railway replied on the 17th April 1941, stating that the matter was receiving attention.

**Restrictions on Bookings from Maihar on G. I. P. Rly.—**

At the instance of Messrs. Orient Paper Mills Ltd., the Committee addressed a letter to the G. I. P. Rly., on 4th June 1941, inviting their attention to the difficulties experienced by Messrs. Orient Paper Mills on account of restrictions imposed on bookings from Maihar. The Committee stated that due to this measure the Mills had been unable to obtain their required quantities of lime and unless bookings are allowed to the Mills immediately it would hardly be possible for them to continue work. The G. I. P. Rly. replied on 10th June 1941, stating that this matter was receiving their attention.

**Difficulties experinced by cotton mills due to shortage of wagons.—**At the instance of Messrs. Chimanlal Vadilal & Co. the Committee addressed a telegram to the Railway Board on the 6th January, 1941, pointing out that the N. W. Railway were not booking cotton from Punjab to Calcutta owing to a shortage of wagons. It was stated that due to this, the Mohini Mills Ltd., in Calcutta could not get the bales of cotton lying at the Khanewal Railway Station on their account. It was pointed out that if arrangements were not made for supply of wagons for transport of cotton to the mills, they would be forced to suspend working which would throw about five to six thousand workers out of employment. The Committee also addressed a



telegram to the N. W. Railway on the 6th January, 1941, explaining the position in the matter. The Railway Board replied on the 8th January, 1941, stating that the matter had been referred to the Railway concerned for disposal. The N. W. Railway replied on the 7th January, 1941, stating that the matter was receiving their attention.

**Shortage of Coal Wagons for building up Coal and Coke Stocks.**—The Government of India had some time back requested the Chamber to urge upon all industrial consumers of coal and coke the desirability of building up adequate stocks as early as possible, till the end of November, 1941—a period of small congestion on the railways—in order to safeguard industry against any emergency arising out of the war situation. The Railway Board had also given an assurance that all possible steps were being taken by railways to ensure adequate supply of wagons. This information was circulated to all interested members, but soon numerous complaints were received from industrial concerns that they were not getting wagons even for their current requirements of coal, leaving aside the question of supplies to enable them to build up stocks in anticipation of the busy season. The Committee thereupon addressed a letter on the 16th October, 1941, to the Government of India and the Railway Board drawing their attention to the above and stating that due to want of coal factories were sustaining losses. They pointed out that the present arrangement of raising the surcharge on coal, coke and patent fuel from 15% during the slack season to 20% during the busy months was arrived at mainly to persuade large consumers of coal to build up their stocks during the slack season so that heavy congestion on the railways might be avoided during the busy season. The Committee stated that they felt that there was no occasion or justification in the circumstances for the Government to increase surcharge from 15% to 20% from December as the purpose of such increase having been frustrated, it would only mean increased taxation on the business community without any corresponding advantage. They had also requested that the Government should immediately make special efforts to ensure adequate supplies of wagons for coal traffic. Prior to addressing this letter, telegrams dated the 15th October, 1941, had also been addressed to the Government of India and the Railway Board in

this connection. The Railway Board replied on the 1st November 1941, stating that every effort was being made by the Railways to load coal to the maximum capacity and an improvement in the supply of coal to Industrial concerns might be expected.

**Contracts given on the E. I. Railway to goods inspectors and station masters for loading and unloading of goods.**—At the instance of Mr. G. L. Mehta, the Committee requested Mr. J. P. Goenka, the Chamber's representative on the E. I. Railway Local Advisory Committee to take up the question of the E. I. Railway giving contracts for loading and unloading of goods to goods inspectors and station masters in the employ of the Railway. Mr. J. P. Goenka replied on the 11th January, 1941, forwarding therewith a copy of the letter received by him from the E. I. Railway on the subject. The Railway in their reply had stated that the General Manager considered the question to be one of internal administration and as such it was beyond the terms of reference of the Advisory Committee. The Railway added that the administration was fully aware of their responsibility with regard to the supervision of such contracts and that such supervision was actually given. The Railway also forwarded in this connection a copy of the reply given by Sir Thomas Stewart in reply to a question on the subject in the Central Assembly.

**Contract for Labour on the East Indian Railway.**—The Committee addressed a letter on the 6th June, 1941 to the East Indian Railway stating that they understood that the contract for labour was being placed by the Railway with a certain Firm for a number of years without previous tenders being invited for the same. The Committee suggested that the Railway should invite tenders from other contractors also who might be willing to take up the work. In case, however, the Railway did not consider it desirable for some reason to invite open tenders for the purpose, tenders should at least be invited as an alternative from recognised firms. The East Indian Railway replied on the 19th June, 1941, stating that the question was one of Internal Administration for the Railway but due consideration would be given to the views of the Chamber when the question of new contract arose.

The attention of the Committee was also drawn to a case decided by the Authority under the Payment of Wages Act, Bengal, wherein it was found that the labour contractor had not paid any part of his subsidy to any of the coolies, though his agreement with the Railway expressly provided for the same. The Authority under the Payment of Wages Act had remarked that the case had revealed a scandalous state of affairs so far as the conduct of the contractor was concerned, and that the matter should be thoroughly investigated in order that this disgraceful state of affairs should be put an end to in the interests of the Railway labour who were largely ignorant. The Committee invited the attention of the East Indian Railway to the judgment in their letter dated the 21st July, 1941, and enquired as to what steps the Railway proposed to take in the matter. The Railway replied on the 22nd July, 1941, stating that this was a question of internal administration of the Railway. The question was also discussed when the Committee met the Hon. Sir Andrew Clow Communications Member of the Government of India on the 18th August, 1941.

**Travel-as-you-like Tickets on the E. B. Railway.**—The Calcutta Chemical Co. Ltd. wrote to the Chamber on the 19th December, 1940, drawing attention to the high rate charged by the E. B. Railway for second class travel-as-you-like tickets in comparison with the rates charged for similar tickets on other Railways. They pointed out that when this question was taken up with the E. B. Railway last year, they had stated that a higher rate was charged due to the reason that the ticket was abused. According to the Calcutta Chemical Co. the reason given by the Railway was not cogent. The Committee considered the matter and referred the same to Mr. R. L. Nopany, the representative of the Chamber on the E. B. Railway Advisory Committee. Mr. Nopany replied on the 5th March, 1941, stating that the matter had been taken up in the Advisory Committee and it was pointed out to the Railway that the fare on the E. B. Railway for these tickets was unduly high as compared to the same on the M. & S. M. Railway. The Railway stated in reply that there were a large number of places of special interest on the M. & S. M. Railway and the concession tickets attracted a large number of people to visit these places, whereas on the E. B. Railway such

places of interest were few and these tickets were therefore availed of mostly by business people and not by the general public. The Railway felt that business people would however travel on their business irrespective of the fact whether they got this concession or not and as such the Railway were not prepared to lose money on it. The matter was however further discussed in a meeting of the Advisory Committee of the Railway and the Railway promised to consider the same again.

**Week-end Return tickets.**—Learning that the East Indian Railway had decided to discontinue issue of week-end return journey tickets, the Committee addressed a letter on the 23rd August, 1941, to the Railway pointing out that the week-end return tickets provided a great facility to all classes of people, particularly to the business community and merchants who had to make short visits now and then. The Committee further stated that passenger fares over Indian railways were already high in relation to the economic conditions and it was essential therefore to continue a facility like week-end return tickets especially for the third class. A reply was received from the East Indian Railway on the 2nd September, 1941, regretting their inability to change their decision to withdraw Week-end Return tickets which, it was stated, had been forced upon the administration by conditions arising out of the war.

**Revision of train timings on the E. B. Railway.**—The Traffic Manager, E. B. Railway, wrote to the Chamber on the 3rd January, 1941, stating that the question of revision of train services from April, 1941, would be soon taken up and suggestions might therefore be forwarded by the Chamber in this connection. A circular was issued to members on the 4th January, 1941, and the suggestions received from them were forwarded to the Railway on the 28th January, 1941, and the 11th February, 1941.

The Chief Operating Superintendent, East Indian Rly, again wrote to the Chamber on the 24th May, 1941, stating that the question of revision of train timings from October, 1941, would be soon taken up and suggestions in this connection might therefore be forwarded to him. A circular was issued to members on the 27th May, 1941, and suggestions received from

them were forwarded to the Chief Operating Superintendent on the 21st June, 1941.

**Time of Arrival of the B. N. Railway Bombay Mail at the Howrah Station.**—The Committee had some correspondence with the B. N. Railway on the subject last year. The Committee addressed a further letter to the Railway on the 30th January, 1941, stating that the question of revision of train timings on the Railway from 1st April, 1941, might now be under consideration and they trusted that the suggestion made by the Chamber last year regarding late arrival of the B. N. Railway Bombay Mail would receive due attention. In this connection the Committee pointed out that the E. I. & E. B. Railways invited suggestions from the Chamber at the time of their half yearly revision of train timings, and it would be desirable if the B. N. Railway also followed a similar practice. The B. N. Railway replied on the 26th February, 1941, stating that it was not yet possible to arrange for an earlier arrival of the down Bombay Mail at Howrah as to do so would require an earlier departure of the mail from Bombay, which would not meet the approval of the business community of that city. The Railway further stated that in order to obtain a path between Kharagpur and Howrah earlier than that used at present, this train would have to arrive  $1\frac{1}{2}$  hours earlier than at present, but due to heavy engineering programme undertaken, it was not possible to increase the speed of the train from the consideration of safety. The Railway however hoped that the relaying work would be completed in time for the down Bombay Mail to be brought into Howrah at 8-30 A. M. with effect from 1st October, 1941.

**Short interval allowed at Delhi for changing from the Toofan Express to the train for Rajputana.**—The attention of the Committee having been invited to the difficulty experienced by passengers in changing at Delhi from the Toofan Express to the B. B. & C. I. train for Rajputana on account of the short interval of 20 minutes between the arrival of the former train and the departure of the latter, they addressed a letter on the 19th August, 1941, to the East Indian Railway pointing out the difficulties and suggesting that the departure of the B. B. & C. I. train for Rajputana be delayed by about 20 minutes in order to afford sufficient time to passengers to change from one train to

the other. If, however, it was not possible for the B. B. & C. I. Railway to do so, the Committee suggested that the Toofan Express might be made to start about 10 minutes earlier and the B. B. & C. I. delayed by only about 10 minutes. A reply was received from the B. B. & C. I. Railway on the 27th August, 1941, stating that due to the exigencies of the War, the train leaving Delhi for Rewari at 4-55 P. M. would be cancelled with effect from the 1st September, 1941.

**Improvements in the E. B. Railway time-table.**—The Committee addressed a letter on the 13th September, 1941, to the E. B. Railway stating that the utility of their time-table would be greatly enhanced by the insertion of information about registered abbreviated addresses for telegrams of certain officers of the railway such as the Agent, Commercial Traffic Manager, Transportation Manager and of the Railway hotels, information about limits of jurisdiction of District Commercial Officers as also names of the authorities to whom complaints, suggestions or enquiries etc. in respect of various matters should be addressed. They also pointed out that the B. N. Railway time-table contained such information and the E. B. Railway might also include the same in their time-table.

**Inconvenience experienced by upper class passengers travelling on the B. B. and C. I. Railway for Rajputana.**—At the instance of Messrs. Murarka & Sons, the Committee addressed a letter on the 21st March, 1941, to the Agent, B. B. & C. I. Railway and the Jaipur State Railway pointing out that they learnt that there was no through upper class bogie running from Delhi or Agra to Jhunjhunu and the intermediate stations, part of which was covered by the B. B. & C. I. and part by the Jaipur State Railway. It was stated that passengers had consequently to change several times beyond Rewari even during night time before they reached their destination. The Committee pointed out the desirability of having a through upper class bogie running between Agra and Jhunjhunu and Delhi and Jhunjhunu. The Traffic Manager, B. B. & C. I. Railway replied on the 16th April, 1941, stating that the number of through upper class passengers did not justify the running of a regular through service upper class carriage.

**Failure of Air Conditioning System.**—The Committee addressed a letter to Mr. J. P. Goenka representative of the Chamber on the East Indian Railway, Local Advisory Committee, on the 4th May, 1941, referring to the inconvenience caused to passengers due to failing of the air-conditioning system in carriages on the way and lack of arrangements for repairing the same at any station on the line except at Howrah. The Committee stated that the Railway should make necessary arrangements for repairs to the air-conditioning carriages being done at important intermediate stations. The Committee also pointed out the desirability of the East Indian Railway adopting the system of air conditioning prevalent over the B. B. & C. I. Railway. The matter was discussed in the Advisory Committee and it was pointed out on behalf of the Railway that the complaint regarding failing of the air-conditioning system was due to low pressure-out being out of order. The Railway further stated that the suggestion that there should be arrangements to effect repairs to air-conditioned coaches at important intermediate stations had been examined but attempts to repair these machines en route had proved very unsatisfactory. As regards the suggestion that the Railway should adopt the air-conditioning system prevalent on the B. B. & C. I. Railway, the Railway stated that there was difference of opinion in regard to the advantages or efficiency of the relative systems and that the experience gained over almost 3½ years tended to confirm that the E. I. R. had been correct in the choice of the system they had adopted.

**Harassment caused to the Public by Ticket Examiners at Howrah.**—Mr. R. L. Nopany wrote to the Chamber on the 24th April, 1941, stating that when some members of his family recently arrived at the Howrah station he was asked to show the tickets and the luggage receipts not less than six times within a short distance on the platform. The Committee thereupon addressed a letter to the East Indian Railway on the 6th May, 1941, inviting their attention to the matter. It was also pointed out that the behaviour of one of the Ticket Examiners was impolite. The Committee also addressed a letter to Mr. J. P. Goenka, representative of the Chamber on the East Indian Railway, Local Advisory Committee, on the 1st May, 1941,

requesting him to take up the matter. Mr. Goenka forwarded to the Chamber a copy of the letter received by him from the General Manager, East Indian Railway on the subject. In his letter the General Manager stated that he regretted the inconvenience caused to Mr. Nopany and assured that steps were being taken to prevent recurrence of occasions of complaint of this nature.

**Withdrawal of the privilege of treating Sundays as dies-non.**—The E. I. Railway wrote to the Chamber on the 21st February, 1941, enclosing a copy of a notification issued by them regarding withdrawal of the privilege of treating Sundays as dies-non. The Railway stated that owing to the conditions brought about by war and due to the resultant shortage of stocks, they had been compelled to withdraw the privilege. The information was circulated to members of the Chamber.

Messrs. Pragdas Mathuradas wrote to the Chamber on the 7th March, 1941, stating that they had received a notice from the Port Commissioners that they would be required to load and unload the consignments on Sundays and other holidays as on usual working days. In this connection they pointed out that the coolies working in their godown had an Association which had decided that no work should be done on Sundays. Messrs. Purshotamdas Narsingdas also wrote to the Chamber on the 10th March, 1941, stating that withdrawal of the privilege of treating Sundays as dies-non would put business firms to a loss as the labourers refused to work on those days. They requested the Chamber to take up the matter with the Railways and the Port Commissioners. The subject was forwarded for discussion at the 28th Informal Quarterly Meeting when it was pointed out on behalf of the Railways that they were also subject to similar provisions in regard to weekly rest and they had to meet the position by taking of additional staff and arranging their duties to provide weekly rest not necessarily on Sundays and that in view of the exceptional conditions created by the war, the trade should follow suit. It was also emphasised on their behalf that the arrangement was made purely in the interest of the industries and the trading community to assist in a more speedy release of wagons and that the alternative would mean fewer wagons for traffic. It was also stated by the



Railways that they could not go back on the arrangement now in force and that it should be given a fair trial in order to ascertain the precise difficulties which might arise and upon which they were prepared to receive further representation from the Chamber. The matter is receiving attention.

**Reduction in free time allowed for the removal of inward consignments at Shalimar.**—Messrs. Hajee Habib Hajee Pir Mohammed wrote to the Chamber stating that business firms had been placed to considerable inconvenience due to the reduction in the free time allowed for removal of inward consignments at Shalimar from 72 hours to 48 hours. The Secretary of the Chamber had thereupon a talk in the matter with the Superintendent General of the Railway who stated that the reduction in the free time allowed was made in order to relieve the very heavy congestion in the sheds which hampered the handling of wagons and delayed work and traffic. He further stated that the reduction was ultimately in the interests of all concerned as it would speed up traffic and turn-round of wagons. He further stated that prior to the reduction recently made in the free time there had been no change during the last 30 years and the present reduction applied to all consignments except those for piecegoods. The Committee also addressed a letter to the Superintendent General, Bengal Nagpur Railway, requesting him to adopt such measures as would soon relieve the situation.

**Consignments of Sugar found short of weight and proposal to introduce special rates slightly higher than O.R. Rates.**—At the instance of Messrs. Shivaprasad Gopal Sahai, the Committee addressed a letter to the East Indian Railway on the 6th June, 1941, inviting their attention to a consignment of sugar despatched from Tamkoshi to Kantapukur on behalf of Messrs. Shivaprasad Gopal Sahai, which was delivered short of weight to the extent of three bags and 37½ srs. of sugar. It was stated that the claim of the Firm for compensation for the short weight had been repudiated by the Railway. The Committee regretted that in such cases the Railway at the first instance always refused to meet the claim of the party irrespective of the fact whether the loss was due to negligence on the part of the Railway and it was only when the Party

gave a legal notice to the Railway or entered into a long correspondence about the matter that the Railway consented to meet the loss wholly or in part. The Committee gave details of the case of Messrs. Shivaprasad Gopal Sahai and requested the Railway to meet their claim for shortage of weight. The East Indian Railway replied on 20th June, 1941, stating that the delay in dealing with the case was due to the exceptional circumstances involved in which they had to act on the instructions given by the B. & N. W. Rly. in regard to the disposal of the claim. The E. I Rly., further stated that after a joint inspection by an Officer of the Railway and a representative of the Firm, the party had agreed to accept one of the bags provided the shortage in weight was made good. As regards the other two bags still in dispute, the special attention of the B. & N. W. Rly. authorities had been drawn and it was hoped that the matter would shortly be settled.

Messrs. Shivaprasad Gopal Sahai further wrote to the Chamber drawing attention to several consignments of sugar found short of weight, for which the E. I. Rly. had refused to entertain claims for compensation. The Asst. Secretary of the Chamber thereupon saw the Chief Commercial Manager of the Railway and pointed out that it was not desirable that the Railway should meet claims for short or damaged consignments only when the party pressed the matter for a long time or gave a legal notice to the Railway in the matter. Each case, it was pointed out, should be judged on its merits and compensation should be given to the party whenever justified. The Chief Commercial Manager, however, assured that the Railway were examining each claim on its merits and were always prepared to award compensation when the same was justified. He also explained the circumstances in the particular cases reported by Messrs. Shivaprasad Gopal Sahai.

The Chief Commercial Manager also suggested in this connection that if the Chamber were agreeable, the Railway might consider the question of introducing special rates slightly higher than the ordinary O. R. Rates and take special care of the consignments against pilferage etc. The Committee considered the suggestion but they felt that even when goods

were looked at O. R. it was incumbent on the Railway to take all reasonable care of the consignments against pilferage etc. The Committee therefore saw no necessity of introducing special higher rates for the purpose. They informed the Chief Commercial Manager accordingly.

**Pilferage of a parcel on the B. B. Light Railway.—**

Messrs. Dayaram & Sons had written to the Chamber last year stating that a certain parcel sent by them to Rajgirkund was pilfered and a claim for the shortage was also registered by them with the Station Master. The matter had been taken up with Messrs. Martin & Co., Managing Agents, B. B. Light Railway but no letter had yet been received from them in reply. The Committee addressed a further letter to the Traffic Manager, B. B. Light Railway, on the 20th January, 1941, drawing his attention to the matter. The Committee stated that it was hardly necessary to emphasise the necessity to check such pilferage from parcels consigned on the Railway. It was pointed out that on a previous occasion also the firm had complained about the matter but as the complaint in that particular case was lodged three hours after the parcel was taken delivery of, the matter could not be pursued further. In the present case, however, the consignee had brought the shortage to the notice of the Railway at the time of taking delivery of the parcel and had it recorded with the station staff. The Committee felt that there was no reason why such a long delay should occur in making an enquiry into the matter. The Traffic Manager, B. B. Light Railway replied on the 8th March, 1941, regretting that as the case was lost sight of, no reply was sent in the matter. He further stated that the parcels in question were received from the E. I. Railway at Bakhtiarpur with shortage in weight and delivered to the owner in Rajgirkund in exactly the same condition. The Committee thereupon addressed a letter to the Chief Commercial Manager, E. I. Rly. on the 1st April, 1941, forwarding a copy of the letter received by the Chamber from the B. B. Light Railway and requested him to look into the matter. The Chief Commercial Manager wrote to the Chamber on the 4th April, 1941, requiring certain information regarding the consignment complained of and the same was forwarded to him on the 21st April, 1941. A reply from the Railway is awaited.

**Payment of additional railway fare when the main line is breached and the trains have to run via alternative route.**—The Committee addressed a letter to the Railway Board on the 8th February, 1941, inviting the attention of the Board to the question of railway passengers being asked to pay additional fare when the main line was breached and travellers had to proceed *via* alternative route. The Chamber were aware that the convention at present observed by the Railways was that when an interruption of communications occurred owing to a breach in the line or any other disorder, passengers already booked by the normal route were carried by the next shortest open route for the fares they had already paid, but passengers desiring to travel after the normal route had been notified as closed were carried by and charged at the fares actually applicable to the next available open route. It was pointed out that it was however unfair to expect the public to pay additional fares for travelling to a destination when communications *via* the direct route were interrupted as a result of any accident or floods. It was stated that in such cases the passengers had to undergo some inconvenience and to spend additional hours on the journey due to the closing of the direct route, and there was no justification for asking them to pay an additional fare also. The Committee suggested that the convention may be revised in order that the public might not have to pay unnecessarily such additional charges. The Railway Board replied on the 7th April, 1941, stating that they were unable to accept the suggestion of the Chamber that in such circumstances when the public had already been notified of the interruption in the direct route, Railway should continue to carry the passengers by the longer alternative route on payment of fares only due over the shorter closed route. The matter is receiving attention.

**Informal Quarterly Meetings (28th, 29th, 30th and 31st).**—The 28th Informal quarterly Meeting between the representatives of the various Chambers of Commerce and the Railways in Calcutta was held on 26th March 1941. Sir Badridas Goenka, President of the Chamber attended the meeting on behalf of the Chamber. The Following subjects were forwarded by the Committee for discussion at the meeting:—

(1) Abuse of Risk Notes.

(2) Shortage of wagons for paddy traffic at the Memari station on the E. I. Railway.

(3) Railway rates for starch.

Regarding the first item, the Committee gave details regarding a consignment of Linseed booked from Patna Ghat to Howrah (No. 6 Bridge Siding) by Messrs. Swaika Oil Mills Ltd., found short of weight. It was stated that the E. I. Railway., had refused to entertain the claim for compensation on the strength of Risk Notes 'A' and 'H' and it was only after a legal Notice was served on the Railway that they had settled the claim in part. The Committee stated it should not be necessary for claimants to resort to legal process to secure payment of their due claims.

Regarding the second subject it was pointed out that there was a shortage of wagons for transport from Memari and the plight of the paddy trade was serious owing to their being no alternative mode of transport for paddy from Memari.

Regarding the third the Committee stated that Messrs. Indian Starch Products Ltd., had requested the East Indian Railway, without success for reduction in the rate of freight for Maize Starch from Howrah to Gwalior, Delhi and Cawnpore. It was pointed out that the product of the Company had to be sold in the Indian market both for edible and industrial purposes, but as the Railway rates for Starch were high industrial concerns used wheat and sago flour as sizing materials, instead of maize starch.

As regards the First Subject the East Indian Railway pointed out that it was their policy to examine each case on its merit and not to avoid payment of compensation for loss if it were found to be due to misconduct on the part of their staff even though Protective Risk Notes were held. As regards the second item the Railway stated that owing to shortage of wagons it was not possible for them to meet indents for wagons for paddy traffic from Memari although every endeavour was being made to do so. The Railway further stated that the position had since improved. As regards the third the East Indian Railway remarked that starch was classified 2 ARR and 2 OR basis, the corresponding rates being '46 and '42 pies per

maund per mile respectively. For a minimum consignment of 300 maunds the freight charged was below the existing rates. In view of the very substantial reduction of rates for wagon load consignments the Railway were of opinion that no further reduction in rate was justified.

The 29th Informal Quarterly Meeting was held on the 25th June, 1941. Sir Badridas Goenka, President of the Chamber attended the meeting on behalf of the Chamber. The following subjects were forwarded by the Committee for discussion thereat :—

- (1) Enhancement of Railway Rates for paper.
- (2) Necessity to give details of discussions in the proceedings of Informal Quarterly meetings.
- (3) Supply of wagons for paddy traffic at Memari.

Regarding the first the Committee pointed out that there was hardly any justification for the cancellation and withdrawal of the exceptions for paper resulting in increased rates for the same. The Committee pointed out that the case of the paper industry demanded special consideration. Regarding the second the Committee suggested that it would be better to give discussions on each item in full as hitherto done. Subject No. 3 was discussed at the 28th Informal Quarterly Meeting and the Railway had agreed to investigate the matter further.

As regards the 1st subject the East Indian Railway stated that it had been their policy to withdraw the exceptions gradually so as not to burden the paper industry to a great extent. Regarding the 2nd the Railways stated that the Informal Quarterly Meetings were meant to be informal and afforded the Railways and representatives of trade interests an opportunity for free discussion of matters of mutual interest. In their opinion, only the result of discussions was therefore required to be recorded. They further stated that it was neither practicable nor desirable that views expressed by individuals should be recorded in detail. It was however agreed that the record of these meetings should be made in greater detail. Regarding the third the Railway stated that on investigation it was found that due to shortage of wagons there was a rationing

of supplies of wagons for the general goods traffic. The restrictions did not apply to perishable traffic which included potatoes and hence the two additional wagons which had been given in surplus to actual requirements for potato traffic could not be loaded with paddy. The Railway further stated that it was evident that indents for paddy traffic had been greatly inflated as was proved by the fact that on the 3rd March, 1941, there were outstanding indents for 17 wagons for paddy traffic out of which only 10 were supplied but actually 3 were loaded.

The Committee forwarded the following subjects for discussion at the 30th Informal Quarterly Meeting between Chambers of Commerce and Railways at Calcutta held on the 17th September, 1941 :—

- (1) Compensation for consignments delivered short of weight and in a damaged condition forwarded by Messrs. Swaika Oil Mills Ltd.
- (2) Improvements in Inter-class compartments.
- (3) Scope and functions of the Informal Quarterly Meetings.

Regarding No. 1, the Committee stated that the claim of the firm for Rs. 997/9/0 against the Railway for damage to a consignment of Linseed as a result of the boat in which the consignment was transported having capsized and the refund of freight for 122 mds. 33 seers delivered short of weight on that account, was justified as the Railway should not have used country boats without adequate protection or insurance for transport of the cargo from Khagaria to Monghyr. The Committee suggested that the claim should, therefore, be met by the Railway. Regarding No. 2, the Committee suggested that more amenities should be provided for inter-class passengers by widening the seats, providing electric fans during summer season etc. Regarding No. 3, the Committee emphasised that the scope and functions of the Informal Quarterly Meetings should be properly observed as originally intended by allowing free and full discussion on matters affecting railway working and facilities and that no limit should be sought to be imposed on the same. They also stated that it should be left to the discretion of the Chambers, it had always been, to forward whatever subjects they thought proper for discussion at the meeting.

The Committee forwarded the following subjects for discussion at the 31st Informal Quarterly Meeting held on the 17th December, 1941 :—

1. Railway rate for tea waste from Howrah to Baroda.
2. Necessity to introduce a special reduced rate for salt used for industrial purposes from Howrah to Dehri-on-Sone.
3. Railway rate for Sal Logs from Daltonganj to Tatanagar.

As regards the first subject it was pointed out in course of a detailed note that the special rate of Rs. 2/1/3 quoted at present for Baroda for tea waste, which was the same as that for tea, was very high and rendered manufacture of caffeine from tea waste (which was the main purpose for which the article was used) uneconomic. It was further stated that the G. I. P. Railway had quoted a special rate of Re. 1/2/- for tea waste from Howrah to Bombay and as the distance from Howrah to Baroda via Agra East Bank was almost the same as from Howrah to Bombay, there was no reason why a similar reduced rate should not be granted for Baroda.

As regards the second subject it was pointed out in a detailed Note that the E. I. Rly., were quoting a special rate of As. -/4/4 for salt from Howrah to Dinapore which was a distance of 344 miles. The rate from Howrah to Dehri-on-Sone which was a distance of 345 miles was, however, As -/6/3. Messrs. Rohtas Industries Ltd., it was stated were consuming about 36,000 mds. of salt per year for production of certain chemicals and it was reasonable therefore that the rate for salt used for industrial purposes from Howrah to Dehri-on-Sone should be further reduced.

As regards the third subject it was pointed out that while the rate for Sal Logs from Daltonganj to Howrah, a distance of about 365 miles was Rs. 105/- per wagon of 400 mds. i.e., about Rs. 142/- per wagon of 540 mds. and the rate from Daltonganj to Allahabad, a distance of 249 miles for the article was only Rs. 77/- per wagon, the rate from Daltonganj to Tatanagar a distance of only 211 miles was Rs. 142/- per wagon of 540 mds. It was stated that the Indian Steel and Wire



Products, at Tatanagar who brought large quantities of Sal Logs from Daltonganj were therefore placed to a considerable disadvantage in getting their supplies of Sal Logs.

The first two subjects were discussed at the 31st Informal Quarterly Meeting. Minutes of the discussion have not yet been received from the Secretary, Informal Quarterly Meetings. As regards the third the E. I. Rly., informed the Chamber that they were prepared to accede to the request of the Chamber on the subject.

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## TRANSPORT—MARINE.

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**Indianisation of the Royal Indian Navy.**—In a communication addressed to the Government of India on the 26th September, 1941, the Committee expressed their keen disappointment at the very slow progress of admission of Indians to the Royal Indian Navy despite the assurance given by the Government of India from time to time, to Indianise the personnel of the Navy. It was stated that only two officers had so far been recruited to the Royal Indian Navy from the Royal Indian Naval Reserves although the personnel of the R. I. N. had been more than doubled during the last two years. The Committee deplored the fact that although duly qualified Indians were available a number of officers had been directly recruited from the British Reserves, the claims of qualified Indians in the R. I. N. R. having been ignored. It was further pointed out that officers serving in the R. I. N. R. and the R. I. N. V. R. had not so far been granted permanent commissions which the Committee felt had acted as a discouragement to the right type of officers coming forward for service in the Reserves. The Committee further stated that they understood that Non-Indian officers joining the R. I. N. R. and R. I. N. V. R. as Lieutenants and started as juniors to the Indian R. I. N. R. Sub Lieutenants were after about one year's service made to supersede the Indian officers even though the latter might have to their credit 8 or 9 years training at sea and higher technical qualifications. This discriminating policy of the Government was discouraging enlistment

not only to the R. I. N. R. and R. I. N. V. R. but also to the training ship "Dufferin" as an impression had been created that officers recruited to the Reserves from ex-cadets would have to revert to the mercantile marine after the termination of the war which would again cause unemployment amongst trained "Dufferin" cadets. The Committee urged the Government to completely revise their attitude in this important matter which affected not only the future of the training ship "Dufferin" but also the wider question of the naval defences of the country.

The Government of India replied on the 23rd October, 1941, stating that in view of the uncertainty of the postwar strength of the Defence Services of India they had decided as a matter of general policy that all recruitment to the Commissioned ranks should be on a temporary basis. Accordingly direct appointment on a permanent basis to the Commissioned ranks to the R. I. N. were discontinued and all Commissions in the R. I. N. R. and the R. I. N. V. R. were, therefore, to be on a temporary basis. They further stated that at the end of the war when the post-war strength of the R. I. N. would be fixed suitable officers from the R. I. N. R. and the R. I. N. V. R. would be selected for permanent commissions in the R.I.N. from both British and Indian Reserve Officers, who had satisfactory war service. The Government were unable to accept the suggestion that a number of cadetships should be reserved for "Dufferin" candidates and stated that open competitive examinations held by the Federal Public Service Commission covered a much wider area and had been able to secure larger number of suitable candidates of the right type.

**Overside delivery at K. P. Docks.**—The Calcutta Kirana Association forwarded to the Chamber copies of correspondence which they had with Messrs. Mackinnon Mackenzie & Co. and Messrs. Jardine Skinner & Co. Shipping Agents, on the subject, and requested the Chamber to take up the matter with the proper authorities. The Committee were, however, informed on making enquiries that it was not convenient for the steamship companies to give overside delivery of cargo at the K. P. docks as such delivery would entail considerable delay in discharge owing to the cargo being in mixed condition as well as to the fact that

bags intended for survey were repeatedly reshipped from the boat receiving the cargo on to the steamer. They were further informed that such alleged damaged bags which were returned for survey were usually refused acceptance by the consignees on various grounds and consequently the work of discharging from ships into lighters was unnecessarily delayed with consequent delay to the steamers concerned. Moreover, it was stated, there should not be any great difficulty in obtaining motor lorries and that the bulk of the cargo would, if necessary, be cleared by means of carts as was done before the use of lorries was widely adopted. It was also pointed out that in some cases, even now, delivery into the consignees' lighters at the K. P. docks was allowed subject to the convenience of the steamers concerned, provided there was no undue delay in allowing such facilities to assist consignees. The Association was informed accordingly.

#### **Establishment of an Indian Sailors' Home in Calcutta.—**

In a joint representation addressed on the 19th September, 1941, to the Government of India along with the Bengal National and the Muslim Chambers of Commerce regarding the establishment and financing of an Indian Sailors' Home in Calcutta the Committee expressed their regret that in a port of the size and importance of Calcutta, no special facilities for the recreation of Indian seamen existed and that no welfare work for Indian seamen had been undertaken till now. It was desirable, they stated, that all the money paid by shipping companies as fees for working on Sundays and holidays should be spent on charitable purposes for the benefit of seamen and others connected with shipping. This, the Committee believed, would be an important and recurring source of revenue for the proposed Home and would also at the same time be a legitimate one because the money derived from shipping companies employing Indian seamen would return to the benefit of the seamen themselves. It was also stated that they understood that the Indian Sailors' Home Committee, appointed by the Government of India, had also recommended the utilisation of the balances accumulated with the Government through their receipts levied on shipping for work on Sundays and closed holidays exceeding the amount of overtime paid to Customs Officers and other expenditure incurred by Government. The Committee further pointed out that the

Indian Sailors' Home Committee had held that the Shipping Companies had agreed to the fixation of high rates of fees for discouraging unnecessary Sunday and holiday work on the understanding that any balance after paying the extra expenditure incurred by the Government would be utilised for the benefit of seamen and others closely connected with shipping. They further stated that the Government receipts from Customs Sunday and holiday fees levied in Calcutta varied from year to year but for many years only a fixed sum of Rs. 24,000/- per annum had been paid over to the Seamen's Welfare Association. Even this Association did not include any representative of the Indian Shipping or Commercial interests in its management nor had it done any work specifically for the benefit of Indian seamen with the exception of conducting an Indian Seamen's Clinic opened about four years ago. From the Marine Club of the Association also the bulk of Indian Seamen did not derive any benefit on account of the extremely small number of Indian officers. The Committee could not accept the contention of the Government that no money was available from the Customs Sunday and holiday Fees and pointed out that the Government were not entitled to merge in general revenues and spend for purposes which had no concern either with shipping or seamen, revenues derived from these fees. They also referred to the expenditure of the realisations from fees under some unknown head called "crown overtime" which to the knowledge of the Committee had no connection with shipping. They pointed out, that the proceeds of the Port Health Dues Fund collected from shipping companies under section 50 of the Indian Ports Act had hitherto been utilised almost entirely for the benefit of European seamen although they were collected from the employed Indian seamen. They therefore stressed that the Customs fees levied on shipping companies should be expended for the benefit of Indian seamen whose invaluable services to the shipping of the Commonwealth were widely recognised.

A copy of the letter was also forwarded to the Chairman of the Commissioners for the Port of Calcutta, who replied on the 27th September, 1941, stating that the Commissioners were not making any contributions now to any Seamen's Institutions.

**Severe bore in River Hooghly.**—The Committee addressed a letter to the Port Commissioners on the 11th July, 1941, drawing their attention to the severe bore in the river Hooghly which took place on the morning of the 8th June, 1941, and the casualties which resulted therefrom. The Committee pointed out that owing to the severity of bore pontoons were damaged and certain vessels in port were also snapped from moorings. The Committee were surprised to learn that no warning about the bore was given even to the ships in the port. The Committee suggested that the Port Commissioners should take necessary steps to warn the public and shipping in port regarding any bores which might occur in future. The Port Commissioners replied on the 12th June, 1941, stating that the bore on the 8th June, 1941, was a freak occurrence which could not have been foreseen by the Commissioners or anybody else.

**Expiry of the term of office of Sir Thomas Elderton, Chairman, Commissioners for the Port of Calcutta.**—The Committee addressed a telegram to the Government of India on the 11th January, 1941, drawing their attention to the expiry of the term of office of Sir Thomas Elderton, Chairman, Calcutta Port Commissioners. The Committee stated that they were strongly of opinion that an Indian should be appointed Chairman, if Sir Thomas Elderton was not given an extension and vacated office. A copy of the telegram was also forwarded to the Federation of Indian Chambers of Commerce and Industry. The Federation forwarded to the Chamber a copy of their letter addressed to the Government of India in this connection. The Federation in their letter had urged that the opportunity which would be afforded by the retirement of Sir Thomas Elderton, Chairman of the Calcutta Port Commissioners and Col. P. S. Johnston Chairman of the Karachi Port Trust ought to be utilised by the Government in meeting the wishes of the public in general and the commercial community in particular, by appointing Indians as their successors. Subsequently it was learnt from a press report that Sir Thomas Elderton was to continue as the Chairman of the Calcutta Port Trust for another year.

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## POSTS AND TELEGRAPHS.

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**Difficulties in despatching foreign telegrams.**—It was stated on page 156 of the last Annual Report that the Committee had written a letter to the Director General of Posts and Telegraphs drawing his attention to the difficulties experienced by business firms on account of foreign telegrams being rejected on certain technical grounds under the restrictions now in force. The Director General replied on the 10th February, 1941, pointing out that telegrams containing more than  $\frac{1}{3}$  number of groups of figures, commercial marks, etc., were refused under a permanent rule which was based on the International Regulations applicable to all countries in the world. Regarding the case in which certain telegrams despatched by a business firm to Japan were delayed even though written in plain English, he referred to the censorship regulations which stated that foreign telegrams were accepted at the senders' risk and were subject to censorship, that is, they might be delayed or stopped or otherwise dealt with in all stages at the discretion of the censor authorities, without notice to the sender or the addressee. The matter was referred to Messrs. Kesoram Cotton Mills Ltd. at whose instance it was taken up and they stated in reply that the regulations regarding number of groups of figures and commercial marks did not appear to have been enforced so strictly in other countries. They quoted two telegrams received by them from Kingston, in which the number of figures was more than one-third of the number of words. The Committee thereupon addressed a further letter to the Director General of Posts and Telegraphs on the 21st March, 1941, pointing out the cases given by Messrs. Kesoram Cotton Mills Ltd. and suggesting that in case of business telegrams where a number of figures and marks had necessarily to be mentioned the application of the rule might be relaxed. The Committee further stated that in normal times when other means of communication were available, strict application of the rule might not be found inconvenient but at present the telegram was the only means of speedy communication and such a restriction on the same greatly inconvenienced business houses. The Director General replied on the 17th April, 1941, regretting his inability to make any

concession in regard to the rule as its observance, he stated, was compulsory by all the signatories of the International Telegraph Rules. The Committee thereupon decided that the Federation of Indian Chambers of Commerce be asked to take up the matter and letters be addressed to all the Chambers of Commerce requesting them to forward details about similar difficulties to the Federation.

**Air Mail Service to Burma.**—On the 6th June, 1941, the Committee addressed a letter to the Director General of Posts and Telegraphs drawing his attention to the delay in carrying mails to Burma and consequent inconvenience caused to business firms. The Committee stated that the Air Mail Service had been curtailed to once a week and very often it happened that when the plane was loaded to capacity some mail bags had to be left over to be carried next week. Consequently there was considerable delay in despatch of mails to Burma. Business firms were however placed to great inconvenience due to this as often consignments to Burma reached earlier than the relative documents and in the absence of the latter incurred unnecessary demurrage charges at Rangoon. The Committee suggested that if the K. L. M. Air Service could be utilised for despatch of mails to Burma in addition to the British Overseas Airways Service the situation would considerably improve. The Deputy Director General of Posts and Telegraphs, replied on the 26th June, 1941, stating that arrangements had been made for increased load capacity becoming available and consequently no mails would be left behind on account of want of space.

**New Inland Telegraph forms.**—On the 21st April, 1941, the Committee addressed a letter to the Director-General of Posts and Telegraphs drawing his attention to the reduced size of the new telegraph forms and consequent inconvenience to business firms who followed the system of having their telegrams press-copied. The Committee pointed out that the particulars regarding signature and address of the sender (not to be telegraphed) and the date had now to be put on the reverse side of the form and when such telegrams were press copied, there would be no record either of the date or the person signing it. The Director-General of Posts and Telegraphs Department replied to the Chamber on the 5th July, 1941, stating that after giving careful

consideration to the matter and in view of the shortage of paper and urgent necessity of stringent economy, it would not be possible to enlarge the size of inland telegraph forms at present.

**Proposed introduction of the message rate system in certain telephone exchanges.**—Learning that the Posts & Telegraphs Department proposed to abolish the existing system of flat rates for telephone in certain exchanges and introduce call rates with fixed rentals, the Committee addressed a letter to the department on the 16th October, 1941, stating that the introduction of the message rate system would result in an increase in the cost of the telephone service and impose an additional burden on the commercial and general public. The Committee gave figures to show how the telephone charges would be increased if the message rate system was introduced and stated that it would be detrimental to the interests of the Commercial Community if the cost of the telephone service was increased in this manner. The Committee, therefore, urged that the existing Flat Rate System should be continued, if necessary, with greater vigilance on the part of the Telephone Department to see that the Rules and Regulations of the Department were enforced.

The Director-General of Posts and Telegraphs replied on the 24th October, 1941, stating that in introducing this new system, Government were not actuated by a desire to earn more revenue and that in their opinion Commercial Interests would not suffer in any way. On the contrary, Government felt that the efficiency of the service would improve with the elimination of unnecessary and wasteful calls. He also forwarded a copy of a note explaining the proposed changes in the method of charging for telephone calls. The note pointed out that the principle of the Message Rate System was to charge a fixed rental plus an additional charge for every call. The Government further stated that they had arrived at the conclusion that the telephone tariff should be based on the principal that the charges payable by subscribers should as nearly as possible correspond to the cost of supply of the service.

A further letter was thereupon addressed to the Director-General of Posts and Telegraphs on the 4th November, 1941,



replying in detail to the various points raised in the note, and suggesting that if the Government finally decided to introduce the Message Rate System, at least 20 calls per rupee should be allowed subject to a discount of 12½% for prompt payment.

**Charges for Telephone Calls to Barrackpore.**—On the 22nd January, 1942, the Committee addressed a letter to the Bengal Telephone Corporation pointing out that they learnt that the Corporation charged for a call to Barrackpore as soon as they had joined to the Trunk Exchange at Barrackpore irrespective of whether connection with the number called for was effected or not. The Committee felt it was unfair to charge for a call if it was in fact not effected. The Bengal Telephone Corporation [replied on the 24th January, 1941, stating that since the Government of India introduced their new procedure with regard to calls to the Barrackpore area, such calls were now treated in a manner similar to Trunk calls. They further stated that when a subscriber asked for the Barrackpore Exchange, the Exchange connected him to the Recording position at the Government Exchange. After that the call was controlled entirely by the Government Exchange Staff and a charge of one local call was made in respect of the call effected. The Corporation further stated that their responsibility ended when they had connected to the Recording position.

**Difficulties re : Trunk Telephone Calls.**—The Committee having received several complaints about difficulties experienced by subscribers in connection with trunk telephone calls they addressed a letter on the 5th December, 1941, to the Director-General of Posts and Telegraphs pointing out that under the present system no definite time or even approximate time as to when a trunk connection may be obtained was given by the operator as a result of which after booking a call the person calling had to wait at the telephone indefinitely, sometimes even for hours together, in expectation of the desired connection. Very often, it was stated, the desired connection could not be obtained even for 12 hours. Moreover, if the person booking a call was away from the telephone for a while and meanwhile the trunk connection was obtained, he would lose most of the allowed time of three minutes before he could reach the telephone and begin the conversation. Apart from this, it was pointed out that reception

of trunk calls was also indistinct and sometimes there was gradual fading of sound during conversation. The Committee appreciated that there was a heavy pressure of work on the trunk lines these days but they felt that with improved methods some of the difficulties such as these could be avoided. The Committee suggested that when a trunk call was booked, and particularly in case of urgent calls, the operator should be able to give at least a rough idea of the time by which he expected the connection to be effected. Moreover, in the case of urgent calls the Committee felt, some definite time limit should be fixed within which the connection must be obtained. The Committee further suggested that as soon as the operator was in a position to know for himself that he expected to get the connection by a certain time, he should inform the person booking the call at least three to five minutes in advance of the time of obtaining the actual connection.

The Director-General of Posts and Telegraphs replied on the 17th December, 1941, stating that as a rule all callers when they booked a trunk call were informed of the delay which was likely to occur in obtaining the connection. He further stated that it was not possible to fix any time limit for urgent calls to mature but the caller might cancel his "urgent call" at any time and book an "ordinary" one in its place, if the former did not materialise within the time suitable to him. As regards giving information to the subscriber five minutes before the trunk connection was obtained, the Director-General regretted that perhaps it was not possible to do so on account of the trunk telephone operators being very busy at the trunk boards.

**Delay in obtaining Trunk Telephone connection with Bombay.**—On the 22nd March, 1941, the Committee addressed a letter to the Chief Superintendent, Calcutta Telegraph Office drawing his attention to the inconvenience experienced by business firms on account of delay experienced in getting trunk telephone connection to Bombay. It was pointed out that a trunk call was booked on the 19th instant from the Office of a member of the Chamber at 11-30 A. M. but as no connection was given till 3-30 P. M. the call had to be cancelled. On the following day another call was booked for the same number at 10-55 A. M. but upto 4 P. M. no connection was obtained so that

the call had again to be cancelled. It was stated that such delay in getting trunk connections as this caused considerable inconvenience and even loss to business concerns. The Divisional Engineer, Telegraphs, Calcutta replied on 28th March, 1941, requesting the Chamber to supply the telephone number from which the trunk call was booked to Bombay in order to enable him to investigate into the matter. The necessary information was furnished to him.

The Divisional Engineer replied on 24th May, 1941, stating that no call for Bombay was booked from the telephone exchange referred to in the Chamber's letter on the 19th March, 1941. He further stated that an ordinary call was booked for Bombay on 20th March, 1941, at 10-30 hours and was subsequently made urgent at 12-40 hours. The delay in putting through the call was chiefly due to a large number of ordinary, urgent, clear the line and fixed time calls having been booked on that date and also due to the stoppage of the Bombay lines for about an hour. The Committee thereupon addressed a further letter to the Divisional Engineer, Telegraphs, on the 4th June, 1941, pointing out that the call about which the complaint was made was different from the trunk call referred to in his letter. The Committee further stated that they had received complaints from other members also in this connection and they felt that the Department should enquire into the matter carefully so that subscribers might not be put to unnecessary inconvenience regarding trunk connections.

**Information about Trunk Charges in the Telephone Directory.**—On the 20th May, 1941, the Committee addressed a letter to the Bengal Telephone Corporation Ltd. referring to the discontinuance of publication in the Calcutta Telephone Directory of a map showing the development of trunk telephone lines in India and the table showing the charges for trunk connections from Calcutta to various important cities in the country which used to be given previously in the directory. The Committee felt that the publication of the map and the table of charges would prove very helpful to the business community and suggested that the same be included in the next directory. The Bengal Telephone Corporation Ltd. replied on the 2nd June, 1941, stating that the map and the table of charges were being published in

the Directory under instructions from the Indian Posts and Telegraphs Department and the matter might therefore be referred to them. They added that the publication of the matter was discontinued as a measure of economy and they felt that under present war conditions the Government would hardly agree to any additional expense. The Committee thereupon addressed a letter to the Director-General of Posts and Telegraphs on the 18th June, 1941, suggesting that the publication of the map and the table of charges in the Calcutta Telephone Directory be continued. While the Committee appreciated the fact that the Department was issuing a booklet containing full information about trunk telephone charges between different stations in India and that the repetition of the same in the Calcutta Telephone Directory would perhaps be a duplication, they felt that for convenience of reference a table showing trunk telephone charges from Calcutta to important centres in India might be usefully included in the Local Directory. The Postal Department replied on the 26th June, 1941, stating that the matter was receiving attention.

**Placing of common surnames together in the Calcutta Telephone Directory.**—The Committee addressed a letter to the Bengal Telephone Corporation on the 1st March, 1941, suggesting that names of persons having the same surname which were being printed at different places in the Directory owing to the different spellings of the surnames should be grouped together at one place. A surname like Mukherjee, it was stated for example, which was spelled as Mookerjee, Mukerji etc. should be given in continuation at one place. The Telephone Corporation replied on the 3rd March, 1941, stating that the suggestion would be given due consideration. Meanwhile they desired to know whether the Chamber would like to have other common surnames also such as Dutta and Dutt and Pals and Pauls etc. also published similarly. The Committee replied on the 6th May, 1941 stating that in all cases in which surnames were the same but were only spelt differently, it was desirable that they were grouped together.

**Difficulties about telephone calls at Burra Bazar Exchange.**—On receiving complaints about frequent wrong and cross connections at the Burra Bazar Exchange the

Committee wrote to the Bengal Telephone Corporation, on the 19th July, 1941, drawing their attention to the matter and requesting them to see that the difficulties were removed as early as possible. The Corporation in a detailed reply dated the 22nd July, 1941, explained the position and pointed out how they were keeping certain numbers under observation and how in face of numerous difficulties, they were maintaining the standard of service. They also suggested that in case of complaints of this nature the Clerk-in-charge should be immediately informed and a confirmation letter should also be sent to the Head Office.

**Difficulties in conducting Telephone Service.**—The Bengal Telephone Corporation wrote to the Chamber on the 12th November, 1941, enclosing a circular which they had prepared to show the difficulties under which the telephone service in Calcutta was being conducted at the present time. With the extension of the war effort, the Corporation stated, viewed in conjunction with the fact that practically all the company's equipment was now in use, it seemed highly probable that these difficulties were likely to increase until such time as the Company was in a position to obtain new equipment to provide relief. In order that the efficiency of the telephone service may be maintained, the Telephone Corporation had requested for the co-operation of all subscribers and suggested that calls during rush hours should be restricted to those absolutely essential.

The difficulties described in the circular were brought to the attention of members and they were requested to restrict the number of their calls during rush hours as far as possible.

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## ORGANISATION.

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**Fourteenth Annual Session of the Federation of Indian Chambers of Commerce and Industry.**—The Federation of Indian Chambers of Commerce and Industry issued a Circular on the 13th January, 1941, stating that the 14th Annual Session of the Federation would be held in Delhi at the Old Assembly Hall in the third week of March or during the Easter Holidays. The

Federation invited member-bodies to forward to them such resolutions as they desired to table for consideration at the Annual Session. The Committee thereupon forwarded resolutions on the following subjects :—

1. Indianisation of the Port Trusts.
2. Sterling Policy of the Government of India.
3. Indian Shipping.
4. Establishment of the Eastern Group Supply Council.
5. Termination of Contracts of the B. B. & C. I. and the A. B. Railways.

By their Circular Letter dated the 14th January, 1941, the Federation invited the Chamber to nominate four delegates to represent the Chamber at the 14th Annual Session. The Committee nominated Sir Badridas Goenka, Mr. N. L. Puri, Mr. B. M. Birla and Mr. G. L. Mehta, to represent the Chamber at the Annual Session. The Federation further wrote to the Chamber on the 14th January, 1941, stating that under the constitution of the Federation, the President, the Hony. Treasurer and certain members of the Committee were retiring by rotation. Member bodies were invited to nominate candidates for election in this connection. The Committee had however no nomination to make in this connection.

**Delegate to represent the Chamber at the 12th Annual Meeting of the Indian National Committee of the International Chamber of Commerce.**—The Indian National Committee of the International Chamber of Commerce wrote to the Chamber on the 3rd February, 1941, informing that the 12th Annual Meeting of the Indian National Committee would be held on the 23rd March, 1941. The Chamber was invited to nominate a delegate to the Annual Meeting. The Committee nominated Sir Badridas Goenka to represent the Chamber at the 12th Annual Session of the Indian National Committee. Subsequently Sir Badridas Goenka having expressed his inability to attend the meeting, Mr. B. M. Birla was nominated in this connection.

**Industrial Re-Construction Committees.**—In connection with the election of the representatives of the Federation of Indian Chambers on the four Reconstruction Committees

constituted by the Government of India, the Committee forwarded the names of :—

1. Sir Purshottamdas Thakurdas for Reconstruction Committee-LABOUR and DEMOBILISATION ; 2. Sir Shri Ram for Reconstruction Committee-DISPOSALS AND CONTRACTS ; 3. Seth Kasturbhai Lalbhai for Reconstruction Committee-PUBLIC WORKS AND GOVERNMENT PURCHASES ; and 4. Mr. G. D. Birla for Reconstruction Committee-TRADE, INTERNATIONAL TRADE POLICY AND AGRICULTURAL POLICY. The Federation Subsequently informed the Chamber that all these persons were duly elected by member bodies to represent the Federation on the four Reconstruction Committees.

**Central Advisory Committee for Light-Houses.**—The Committee forwarded the names of Mr. G. L. Mehta and Mr. M. A. Master for election as representatives of the Federation of Indian Chambers of Commerce and Industry on the Central Advisory Committee for Light-Houses. The Federation Subsequently informed the Chamber that both of them were duly elected by member bodies to represent the Federation on the Light houses Committee.

**Un-official Advisers to the Government of India in connection with the Indo-Burma Trade Negotiations.**—The Federation of Indian Chambers of Commerce and Industry wrote to the Chamber on the 24th December, 1940, stating that the Government of India had invited the Federation to nominate two representatives to work as Advisers to the Government of India in connection with the Indo-Burma Trade Negotiations. The Federation therefore invited Member-bodies to nominate two representatives for election in this connection. The Committee nominated Mr. G. L. Mehta for election as one of the representatives of the Federation to act as unofficial Adviser for the Indo-Burma Trade Negotiations. Mr. G. L. Mehta however subsequently withdrew his nomination. On the 10th January, 1941 the Federation forwarded the names of persons nominated for election in this connection. The Committee cast their votes in favour of Mr. Kasturbhai Lalbhai and Mr. M. A. Master. The

Federation subsequently informed that these two gentlemen had been duly elected as representatives of the Federation to act as un-official advisers to the Government for the Indo-Burma Trade Negotiations.

**Representation of the Federation on the Industrial Research Utilisation Committee.**—The Committee addressed a telegram to the Federation of Indian Chambers of Commerce and Industry on the 30th January, 1941, inviting their attention to the announcement of the Government regarding the appointment of an Industrial Research Utilisation Committee to be attached to the Board of Scientific and Industrial Research. The Committee stated that it was announced by the Government that the Committee would be mainly composed of Industrialists. They therefore, suggested that the Federation might approach the Government of India to invite them to nominate representatives on the Committee. The Federation of Indian Chambers of Commerce and Industry replied on the 5th February, 1941, stating that the Government had already announced the personnel of the Industrial Research Utilisation Committee. They further stated that the attention of the Committee of the Federation had however been already drawn to the procedure which had recently been adopted by the Government in nominating representatives of Commerce and Industry on such Committees without any reference to the Federation. It was further stated that the matter would be considered at the next meeting of the Committee of the Federation. Subsequently the Federation informed the Chamber that the matter was duly considered by their Committee but they had decided to take no further action on the same. They further stated however that the whole question regarding the present double election procedure was being reconsidered by the Committee at their next meeting.

**Procedure for Election of Federation's representatives on various Bodies.**—The Federation of Indian Chambers of Commerce and Industry sent a circular letter to all its member-bodies on 28th April, 1941, stating that the Government of India on certain occasions recently seemed to have departed from their usual practice of inviting either the Federation or the Commercial Associations directly concerned to nominate representatives to serve on the various committees and conferences



appointed by them from time to time, and had adopted a different procedure of appointing representatives of trade and commerce themselves on these committees and conferences. It was further stated that the matter was discussed at a meeting of the Committee of the Federation and it was pointed out that if such a procedure be permanently adopted by the Government it would deprive the Federation of the opportunity to send their representatives on these committees and conferences. Moreover it was felt that while the persons nominated by the Government would not be responsible to either the Federation or any other organised bodies, the representatives nominated by the Federation would be so and would thus be guided in their deliberations of the questions coming up before the various committees and conferences by the general policy of the Federation. During the meeting it was pointed out that the procedure of double election adopted by the Federation, however democratic it might be was not such as would bring about the desired result as the procedure led to a great deal of canvassing and there were persons who would not agree to stand for election if it amounted to canvassing of votes. It was therefore suggested during the course of the discussion that while member-bodies might be invited to nominate candidates the final selection might rest with the Committee of the Federation. The Committee of the Federation however felt that member-bodies who were primarily concerned under the present procedure in the election of representatives of the Federation should be consulted in the matter. The Federation invited the views of the Chamber on the suggestion. The Committee replied on the 21st May, 1941, stating that taking into consideration all aspects of the question it would be desirable if the double election procedure followed at present was continued. The Committee further stated that in case the time available was short the President or the Committee of the Federation might nominate the representatives of the Federation according to their discretion. The Federation sent a further circular letter to all its member-bodies on the 2nd August, 1941, stating that the matter was discussed at the meeting of the Committee of the Federation and it was decided that the double election procedure should continue to operate in future with regard to the election of the Federation's representatives.

**Opportunity to Candidates for Election to the Committee of the Chamber to know their relative position after the elections.**—Mr. D. N. Mukherjee of the Hooghly Bank Ltd. wrote to the Chamber on the 28th February, 1941, suggesting that intending candidates or their representatives may be asked to be present at the time of the scrutiny of ballot papers so that they might know the result of the voting. He further stated that his suggestion was meant to give a chance to the intending candidate to know his relative position. The Committee replied on the 18th March, 1941, stating that as the voting was by ballot it would not be desirable to have the candidates or their representatives present at the time of the scrutiny. It was however always open for any candidate who stood for election to the Committee to refer to the Scrutineers' Report at the Office of the Chamber and know the number of votes he had obtained.

**Constitution of Standing Sub-Committees.**—The Calcutta Tube Importers Association wrote to the Chamber on the 24th February, 1941, suggesting that a separate standing sub-committee might be set up to consider matters regarding tubes and pipes and Government control over the same. The Committee replied on the 11th March, 1941, stating that as all questions relating to that trade were referred to the Tube Importers Association from time to time, there was hardly any necessity of having a separate Standing Sub-Committee for Tube and Pipe interests.

**Monthly Report of the Activities of the Chamber.**—Messrs. Matadin Khaitan & Co. wrote to the Chamber on the 24th February, 1941, suggesting that the Minutes of the Committee Meetings should be circulated to all members of the Chamber. The Committee replied on the 10th March, 1941, stating that after careful consideration they were of the opinion that it would not be desirable to circulate the Minutes of the Committee Meetings to all members as it would cause unnecessary increase of routine work. The Committee further stated that any member of the Chamber was however at liberty to call at the Office of the Chamber and look up the same.

Another suggestion of this nature was also received by the Committee. They carefully considered the whole question and

with a view to apprise members of the activities of the Chamber from month to month decided to publish a monthly report of the activities of the Chamber. Monthly Reports are being published accordingly from the month of July, 1941.

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## MISCELLANEOUS.

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**Jute Federation Scheme prepared by Prof. Todd, Special Investigating Officer for Jute Futures Market.**—The Government of Bengal wrote to the Chamber on the 17th February, 1941, forwarding therewith a copy of the Interim Report submitted by Prof. Todd on the working of the Jute Futures Trade and the Hessian Futures Market. The views of the Chamber were invited on the same. The Committee replied on the 10th March, 1941, submitting in details their views on the Scheme. They pointed out that the Scheme drawn up by Prof. Todd seemed to be generally based on the working of some of the important Futures Exchanges in the West. The conditions which obtained in some of the Western countries however differed in some important aspects from those prevalent in India and it was not proper, in the opinion of the Committee, to apply certain set principles in reconstituting the Jute Futures Market. It was stated that the particular conditions that obtained in the Province should be carefully taken into account in devising any scheme for the purpose. It was further stated that in any scheme for the Futures Market, it was essential that the interests of the cultivator were properly kept in view. Referring to the recommendations in the Interim Report the Committee stated that the constitution of the Council of the proposed Jute Federation sought to give unduly large representation to European interests. The Committee also offered detailed comments on the other recommendations. The Committee were of the opinion that the Seller should have no option to tender other grades but transactions may be allowed separately on all the grades, so that real buyers may be attracted to the market.

The Committee also suggested the lines on which grades may be fixed. Regarding the question of appointment of arbitrators,

the Committee suggested that there should be a simple and expeditious procedure and the Jute Federation should therefore conduct arbitrations with their own panel of arbitrators taken from all sections of the trade. If, however, it was not possible for the Jute Federation to undertake arbitration, the Committee suggested that both the Bengal Chamber of Commerce and the Indian Chamber of Commerce should be authorised to conduct such cases. The Committee stated that arbitrations should not be confined only to the Bengal Chamber of Commerce, as no one body should monopolise this kind of work. The Committee further stated that it was essential to see that the grades once established were properly maintained as also that the contracts did not become too wide.

**Desirability of using jute bags instead of paper packets for exporting cement to Singapore and Straits Settlements.—**

Messrs. Hukumchand Jute Mills Ltd. forwarded to the Chamber a copy of a Circular issued by the Director General of Commercial Intelligence and Statistics, which stated that since the outbreak of the War there had been an increase in the export of cement to Singapore and this was at present being supplied in special packets imported from U. S. A. He further stated that these packets were expensive costing six annas a packet or Rs. 8/- per ton of cement and involved moreover the expenditure of a substantial amount of foreign exchange, and that experience had shown that jute bags could serve the purpose equally well. Though they were less waterproof they had given satisfactory results even in moist climates such as that of Burma and they possessed a further advantage of being cheap. He further stated that the Government of India had taken up the matter with the Colonial Government and had requested them to notify their suppliers that they had no objection to cement packed in jute bags being tendered against contracts placed by them. The Colonial Government of the Federated Malaya States and the Unfederated Malaya States had, it was stated, agreed to take necessary action in the matter. Messrs. Hukumchand Jute Mills Ltd. requested the Chamber to take up the matter with the parties who were interested in export of cement to the Straits Settlements. The Committee wrote letters on the 20th January, 1941 to Messrs. Associated Cement Companies Limited, Rohtas

Industries Ltd., National Cement and Mines Ltd. and Kalyanpur Lime and Cement Works Ltd. and invited their attention to the Circular.

**Monthly Bulletin of the Indian Central Jute Committee.**—The Assistant Publicity Officer, Indian Central Jute Committee wrote to the Chamber on the 5th March, 1941, stating that they were publishing since last three years a monthly Bulletin containing useful information about jute. He requested for the co-operation of the Chamber in this connection. The Committee replied on the 19th March, 1941, stating that they would gladly extend their co-operation to the Central Jute Committee in the publication of the monthly bulletin.

**Price of Quinine.**—At the instance of the Indian Chemical Manufacturers' Association, the Committee addressed a letter to the Government of Bengal on the 22nd April, 1941, drawing their attention to the increase in the price of Quinine effected by the Government and the system of distribution of Quinine in the Province. The Committee pointed out that the increase from Rs. 18/- to Rs. 34/- per lb. *i. e.* about 100 percent in the price of such an essential drug as Quinine without any proportionate increase in the cost of production was hardly justified. Referring to the Government plea that the Government could not control market price of Quinine and that if the difference between the market price and their selling price was considerable the concession was intercepted by middlemen and medicine makers the Committee pointed out that the Government had set up an Organisation for price control and it was difficult to believe that they would not be able to check the market rate of quinine from being intercepted by middlemen and medicine makers. The Committee emphasised the necessity of making available quinine at as cheap a price as possible in view of the fact that it was a very useful remedy for malaria which was widely prevalent in the Province. The Committee further pointed out that the present system of distribution of Quinine through the agency of one European and one Indian Firm was not at all satisfactory. The Committee suggested that the monopoly of distribution should be terminated as early as possible and Quinine should be distributed to the dispensaries, dealers and manufacturers by the Government in certain proportion by fixing quota for each

district. The Government of Bengal replied on the 11th June, 1941, stating that the Agents for the disposal of Government Quinine were entitled under the terms of their agreement to sell to whomsoever they pleased within their area of distribution except to what was called the reserve field of Government *viz.* Government Departments, Hospitals, etc. The Government further stated that the Agents generally sold to their pre-war customers as a matter of trade practice in preference to post-war customers and the Government were not entitled to interfere with their system in this respect. The distribution of Quinine in Bengal through the Agents under the system of quota for each district as suggested by the Chamber could not therefore be enforced by the Government. As regards the price of Quinine, the Government forwarded a copy of the letter of the Director of Public Information published in Amrita Bazar Patrika which stated that Government Quinine formed only a small part of the total quantity consumed and accordingly it was not possible for them to control the prices of quinine when they were not in a position to supply the needs of the market.

**Extension of the operation of the Calcutta Improvement Act to Howrah.**—At the instance of the Howrah Improvement Association, the Committee addressed a letter to the Government of Bengal on the 25th February, 1941, drawing their attention to the question of extension of the operation of the Calcutta Improvement Act, 1911, to Howrah. The Committee stated that they had been receiving complaints since a long time about the insanitary conditions in Howrah on account of bad drainage, insufficient water and uncleaned bustees, etc. The Committee further referred to the Conference held on 24th September, 1939, between the representatives of the Government and the Ratepayers of Howrah where it was agreed that the Government should take early steps to introduce necessary legislation for the extension of the operation of the Calcutta Improvement Act to Howrah. It was pointed out that in pursuance of the arrangement agreed upon the Howrah Municipality had already levied an additional tax at a consolidated rate of 2½ percent from the 1st April, 1940 to meet the extra expenses on account of the activities of the Improvement Trust. The Committee further referred to the Memorandum submitted to the Government by more than

30 members of the Bengal Legislative Assembly requesting them to expedite the necessary legislation but they regretted that as yet the Government had not introduced any legislation for the extension of the Calcutta Improvement Act to Howrah. The Committee requested the Government to introduce the necessary measure in the Legislative Assembly at an early date.

The Committee further invited the attention of the Government in this connection to their Memo. No. 76-T. M. dated the 5th June, 1940, regarding representation of the Chamber on the Calcutta Improvement Trust. The Committee pointed out that the Government had assured that the request of the Chamber for representation on the Board of the Improvement Trust would receive consideration when the Act would be next amended. The Committee hoped that the Government would take this opportunity of amendment of the Act for according representation to the Chamber on the Improvement Trust.

**Harassment caused to the Public by Sentries on the Willingdon Bridge.**—Learning about the harassment caused to the public by the sentries on the Willingdon Bridge, the Committee addressed a letter to the Inspector-General of Police, Bengal drawing his attention to the matter. The Committee stated that a respectable merchant recently had gone for a walk on the Willingdon Bridge from his Bungalow and although he had purchased the necessary ticket, when he was on the Bridge the Sentry came running after him calling loudly in a rude manner. The gentleman showed the ticket which he had purchased and asked the Sentry to behave in a proper manner. The Sentry however called out his friends and a Subedar standing near the gate came up and instead of asking the Sentry to behave properly supported him and even assaulted the gentleman with a stick. He also took the gentleman to the thana and detained him there though he was in weak health and the gentleman could return home only late after all the formalities had been gone through. The Committee stated that they understood that it was not a solitary instance of its kind, and such instances were bound to create unnecessary bitterness and resentment in the public. They therefore requested the Inspector-General of Police to investigate into the matter with a view to put an end to such high handed

practice. The Inspector General replied on the 7th February, 1941, stating that an enquiry had been made by a Senior Officer into the complaint made by the Chamber and it appeared that the fault lay on both sides. He pointed out that the Willingdon Bridge was now a protected place under the Defence of India Act and there was a notice outside the Bridge that remaining on the Bridge otherwise than for crossing from one end to the other and taking of photographs were prohibited. The Inspector-General further stated that in spite of this notice a large number of people used the bridge as a place for an evening walk which in view of the present situation was no longer permissible. He referred to the facts of the case and stated that the gentleman had taken an exception to being stopped. He however admitted with regret that the conduct of the Police was not proper and he hoped that no repetition of similar discourteous and unmannerly behaviour on their part would occur. The Inspector-General apologised for the trouble caused to the gentleman. The Committee wrote to the Inspector-General thanking him for the action taken by him in the matter.

**Payment for Mutilated Currency notes.**—It was stated on page 137 of last year's Report that the Committee had addressed a further letter to the Currency Officer, Reserve Bank of India on the 14th December, 1940, pointing out that the description that "each note is composed of detached fragments none of which is half the note and there is nothing definite to show that all these fragments belong to the one and the same note" did not apply to all the notes forwarded by the Chamber on behalf of the Party, and therefore the Bank should make payment for them. The Committee further stated that as already mentioned, the notes were collected by a poor lady for her son and this was the only amount that the son had now got and the matter might therefore be treated leniently so that the poor family might not be deprived of the little help that they possessed. The Currency Officer replied on the 12th December, 1940, stating that all the notes were equally mutilated. He therefore regretted his inability to make any payment for the same. The Committee addressed a further letter to the Currency Officer on the 21st December, 1940, stating that as no payment could be made against these notes the party at whose instance the matter was



taken up desired to have the notes back and the same might therefore be returned. The Currency Officer replied on the 3rd January, 1941, stating that under the Rules, the notes could not be returned. The matter is receiving attention.

**Stamping of inaccurate dimensions on Cloth exported from India to East Africa.**—The Director-General of Commercial Intelligence and Statistics wrote to the Chamber on the 25th December, 1940, inviting the attention of the Chamber to the cases reported to the Indian Government Trade Commissioner at Mombasa by the Customs Authorities in Kenya and Uganda and the Indian Merchants Chamber at Mombasa, about Indian manufacturers and exporters of piece goods stamping inaccurate dimensions on cloth exported from India to East Africa in many cases among recent consignments from India the width had been under-declared by one or two inches and the length by one or two feet. The Director-General of Commercial Intelligence and Statistics stated that such under-declaration constituted an offence against the Customs law of that country and in the cases referred to minor penalties had been imposed on the importers for making wrong declarations. The authorities were however taking a serious view of the matter and it was feared that unless the present position was rectified heavier penalties would be imposed. The Director-General further stated that complaints had also been received by the Trade Commissioner regarding unsatisfactory external marking of bales and packages from India. The Committee circulated the matter to all interested members.

**Inaccurate certificates of origin for goods consigned from India.**—The Director General of Commercial Intelligence and Statistics wrote to the Chamber on the 26th December, 1940, inviting attention to the notices issued by the Commissioners of Customs, Kenya and Uganda and by the Federation of Indian Chambers of Commerce at Mombasa regarding the certificates of origin and of value and invoices of goods exported to Kenya and Uganda. He stated that the Commissioners of Customs had suggested that Shippers in India should use a standard type of invoices and adopt a system for certification of invoices for goods exported from India to Kenya and Uganda in certain particular terms as suggested. The Commissioners of Customs had also asked for a list of the Chambers of Commerce in India competent

to issue certificates of origin etc. and the specimen signatures of the persons authorised to sign such certificates. The Committee decided to circulate the information amongst members and to supply such information as was desired in the matter to the Director-General of Commercial Intelligence and Statistics.

**Formation of an Export Development Group in Australia.**—The Sydney Chamber of Commerce wrote to the Chamber on the 1st April, 1941, drawing attention to the formation of their Export Development Group constituted with the object of development of export trade in Australian goods with other countries. It was stated that one of the objects of that group was to make sure that all enquiries sent from abroad came through their hands, thus ensuring that they had consideration and attention by the firm not only handling the goods required but also those who were interested in export. The Sydney Chamber requested that this information might be circulated amongst the members of the Chamber. The Committee replied on the 1st May, 1941, stating that the information had been duly circulated to all members.

**Insanitary conditions in the Burra Bazar Area.**—The Marwari Chamber of Commerce wrote to the Chamber on the 30th April, 1941, inviting support to a representation they had made to the Calcutta Corporation regarding insanitary conditions in the Burra Bazar Area. The Committee thereupon addressed a letter to the Corporation of Calcutta on the 13th May, 1941, stating that their attention had been drawn to the insanitary conditions prevalent in the Burra Bazar Area. The Committee stated that heaps of dirt accumulated at street corners and arrangements for removing the dirt and refuse and also for washing the streets and corners were inadequate. The Committee pointed out that the Burra Bazar Area was an important business centre and a highly congested locality and it was therefore essential that measures should be taken to ensure proper hygienic and sanitary conditions in the area. The Corporation of Calcutta replied on the 19th May, 1941, stating that the matter was receiving attention.

**Révision of the Electoral Roll of the Indian Chamber of Commerce Constituency of the Bengal Legislative Assembly.**—The Commissioner of the Presidency Division, as the

Registering Authority for Chambers of Commerce Constituencies wrote on the 26th May, 1941, calling upon the Chamber to prepare and submit a list of members of the Chamber qualified to vote for the Assembly. He further stated that such a list should be forwarded to him by the 30th June 1941. Accordingly a Circular was issued to all the members of the Chamber requesting them to fill in the necessary particulars in the Forms enclosed and a list of qualified members of the Chamber was prepared and submitted to the Registering Authority, by due date. The final Electoral Roll of the Chamber's Constituency has now been published.

**Affiliations.**—The following new Associations have been affiliated to the Chamber during this year.

- (1) Calcutta Metal Merchants Association.
- (2) Indian Hemp Association.
- (3) Calcutta Hessian Exchange Limited.
- (4) Indian Paint Manufacturers Association.
- (5) Indian Tea Brokers Association.

The Committee decided to take up the management of the Calcutta Tea Merchants Association, one of the affiliated bodies of the Chamber, in compliance with their desire for the same.

On the request of the Indian Paint Manufactures' Association, and the Indian Hemp Association the Committee also decided that the management of both the Associations be taken up by the Chamber.

**Messages of Condolences.**—The Committee had the sad occasions to address letters of Condolences to Mr. Rathindra Nath Tagore on the death of Dr. Rabindra Nath Tagore, to Sir Shri Ram on the death of Lady Shri Ram, and to Mr. M. L. Shah on the death of his brother Mr. Mangalbhai L. Shah.

**Tribunal of Arbitration.**—Since its appointment in 1927 the Tribunal of Arbitration have disposed of a large number of cases. The Tribunal was appointed by the Chamber for the determination, settlement and adjustment of disputes and differences between parties who refer to it matters in disputes for arbitration. With a view to cover the varying nature of disputes

arising in different trades and in order that the work may be placed in the hands of gentlemen selected for their expert knowledge of the branch of trade and industry with which the dispute is concerned, separate panels have been appointed for each of the following trades on the Tribunal of Arbitration *viz.*, (1) Jute (2) Gunny (3) Sugar (4) Piece-goods and yarn (5) Iron and Steel (6) Coal and Minerals and (7) General. The Secretary of the Chamber acts as the Registrar of the Tribunal of Arbitration. The arbitrations are conducted at a small charge for the facility of the commercial community, no distinction being made in the charges in respect of arbitrations between the Chamber members, or a member and non-member. It is gratifying to note that an increasing number of members and non-members are taking advantage of the Chamber's Tribunal of Arbitration.

**Survey Certificates.**—The Chamber also undertakes the survey of merchandise and sampling of consignments and issues certificates of analysis of the same, for facility of merchants. A number of members of the Chamber are regularly taking advantage of this facility.

**Certificates of Origin.**—The Chamber also issues Certificates of Origin in regard to all commodities produced in British India which are being exported to foreign countries. Several merchants and firms are regularly taking advantage of this facility. The Certificates of Origin issued by the Chamber are accepted by the customs Authorities of practically all the Countries of the World. The charge for a Certificate of Origin for a member is Rs. 2 while that for non-members is Rs. 4/-. The Chamber also certifies invoices for goods exported out of India.

**Collaboration of other bodies with the Chamber.**—The Chamber continued to receive a great deal of assistance from the following Associations which are affiliated to it :—

1. Indian Sugar Mills Association.
2. Indian Chemical Manufacturers' Association.
3. Indian Paper Mills Association.
4. East India Jute Association.
5. Jute Balers' Association.

6. Gunny Trades Association.
7. Calcutta Hessian Exchange Limited.
8. Indian Paint Manufacturers Association.
9. Indian Hemp Association.
10. Calcutta Tea Merchants Association.
11. Indian Tea Brokers Association.
12. Calcutta Kirana Association.
13. Indian Colliery Owners' Association.
14. Indian Coal Merchants' Association.
15. Indian Insurance Companies Association.
16. Shareholders' Association.
17. Calcutta Tube Importers' Association.
18. Calcutta Metal Merchants' Association.
19. Marwari Rice Mills Association.
20. Calcutta Rice Merchants' Association.
21. Indian Produce Association.
22. Sindhi Merchants' Association.

Other Commercial Associations of Calcutta, *e.g.*, Bengal National Chamber of Commerce, Marwari Association, Muslim Chamber of Commerce, Marwari Chamber of Commerce, etc., have also assisted the Chamber in several ways in its deliberations on matters of interest to the commercial community and the thanks of the Committee are due to them.

**Supply of Complimentary Literature.**—The Committee have pleasure in acknowledging with thanks the various publications and statistical reports supplied to them by the various Departments of the Government of India, the Government of Bengal, including the Publicity Officer, H. M's Trade Commissioner, Australian Trade Commissioner, and the Director-General of Commercial Intelligence and Statistics. The Committee are also under a similar obligation for courtesy extended to the Chamber by the Consuls of America, Brazil, Belgium, Sweden, Turkey, China and Iran who forwarded to the Chamber interesting literature bearing on commercial, economic and industrial problems of their respective countries. The Committee have also

to express their sense of thankfulness to all the various Commercial Organisations, in the country and abroad, who have sent their Reports, Bulletins and other literature and publications to the Chamber from time to time.

**Membership.**—The membership of the Chamber stood on the 31st December, 1941, at 255. The members elected during the current year help to augment the representative character of the Chamber representing as they do, diverse interests of trade and industry like Pharmaceutical works. Sugar, cement and paper trade, insurance, cinema, tea, tanneries, cotton mills, foundry engineers, etc.

**Finances.**—A statement of the Revenue and Expenditure of the Chamber for the year ending 31st December, 1941, together with the Balance Sheet as on 31st December, 1941, are appended to the Report. The mainstay of the finances of the Chamber, it need hardly be stated, is the subscription received from the members. The receipts under this head amounted to Rs. 21,050-0-0 only during the year under review. Steps are being taken to collect the outstanding subscription from members. During the year, all members of the Chamber who were appointed as representatives of the Chamber on various public bodies, returned to the Chamber the fees derived by them from attending meetings of their respective bodies, as contributions towards the funds of the Chamber. These contributions amounted to Rs. 2026-4-0, Rs. 1210-0-0 having been received from Mr. D. P. Khaitan, Rs. 356-10-0 from Mr. G. L. Mehta, Rs. 191-10-0 from Mr. R. L. Nopany, Rs. 140-0-0 from M. G. Bhagat and Rs. 128-0-0 from Mr. J. P. Goenka.

The Committee welcome this opportunity of expressing their thankfulness to the various members for their munificence.

S. R. DHADDA,

*Secretary.*

SIR BADRIDAS GOENKA,

*President.*

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## STATEMENT OF ACCOUNTS.

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**INDIAN CHAMBER OF*****BALANCE SHEET for the***

LIABILITIES.	Rs. As. P.	Rs. As. P.
<b>General Fund Account :</b>		
Balance as per last account ...	7,103 4 9	
Add Excess of Income over Expenditure ...	535 15 0	
		7,639 3 9
<b>Contributions :</b>		
For Portraits of Presidents ...	.....	251 2 0
„ Party Fund ...	.....	569 8 9
„ Relief Fund ...	.....	950 0 0
Provident Fund Account ...	.....	11,292 12 3
Contribution to Special Fund	.....	6,820 8 3
<b>Creditors :</b>		
The India Exchange, Ltd. ...	42,400 0 0	
Indian Hemp Association ...	150 0 0	
		42,550 0 0
<b>Outstanding Liabilities :</b>		
General Department ...	999 0 0	
Tribunal of Arbitration ...	534 0 0	
		1,533 0 0
<b>TOTAL Rs. ...</b>	<b>.....</b>	<b>71,606 3 0</b>

**Auditors' Report.**

We beg to report that we have audited the Balance Sheet of the Indian Chamber of Commerce, Calcutta dated 31st December, 1941 as above set forth with the Books and accounts submitted and have obtained the information and explanations we have required.

In our opinion, such Balance Sheet is drawn up in conformity with the law and exhibits a true and correct view of the state of Chamber's affairs according to the best of our information and explanations given to us and as shown by the Books and accounts of the Chamber. In our opinion the Books of Accounts have been kept by the Chamber as required by law.

For S. B. DANDEKER & Co.,

S. B. DANDEKER,

B. COM., G.D.A., R.A.

Registered Accountant,

Govt. Diplomaed Accountant.

Auditors.

CALCUTTA,  
The 6th February, 1942.)

**COMMERCE, CALCUTTA.***year ended 31st December, 1941.*

ASSETS.	Rs. As. P.	Rs. As. P.
<b>Furniture :</b>		
Balance as per last account ...	5,955 10 6	
Less Depreciation @ 6% ...	357 5 6	
		5,598 5 0
<b>Library :</b>		
Balance as per last account ...	2,678 1 6	
Additions during the year ...	257 9 0	
	2,935 10 6	
Less Depreciation @ 6% ...	176 2 6	
		2,759 8 0
<b>Deposits :</b>		
With Calcutta Electric Supply Corporation, Ltd. ...	65 0 0	
With Imperial Library ...	40 0 0	
		105 0 0
Provident Fund Investment account ...	.....	11,292 12 3
Suspense account ...	.....	67 8 6
<b>Cash &amp; Bank Balances :</b>		
The Bank of India, Ltd. ...	46,866 8 0	
Central Bank of India, Ltd. ...	3,890 10 9	
Cash in hand including Petty Cash ...	1,035 14 6	
		51,783 1 3
<b>TOTAL RS.</b> ...	.....	71,606 3 0

S. R. DHADDA,  
*Secretary.*

SIR BADRIDAS GOENKA,  
*President.*

## INDIAN CHAMBER OF

## REVENUE ACCOUNT for

EXPENDITURE:	Rs. A. P.	Rs. A. P.
To Establishment Charges ...	.....	30,388 12 9
„ Subscription to Journals and Newspapers ... ..	.....	441 14 0
„ Telephone Charges ... ..	.....	1,327 11 0
„ Stationery ... ..	.....	1,726 8 3
„ Repairs to Furniture ... ..	.....	127 11 9
„ Subscription to International Chamber of Commerce, Indian National Committee .....	.....	33 0 0
„ Postage & Telegrams ... ..	.....	1,223 12 0
„ Charges General ... ..	.....	385 7 3
„ Electric Charges ... ..	.....	198 5 6
„ Postage & Telegrams (Arb.) .....	.....	12 7 9
„ Travelling Expenses ... ..	.....	151 10 0
„ Contribution of Chamber to Provident Fund ... ..	.....	1,581 0 0
„ Rent ... ..	.....	8,075 0 0
„ Printing Charges ... ..	.....	2,207 7 3
„ Income-tax ... ..	.....	83 14 0
„ Publicity ... ..	.....	50 0 0
„ Hire of Furniture ... ..	.....	25 0 0
„ Bank Charges ... ..	.....	4 0 0
„ Subscription to Federation of Indian Chambers of Commerce & Industry ... ..	.....	150 0 0
„ Depreciation :		
On Furniture @ 6% ... ..	357 5 6	
„ Library @ 6% ... ..	176 2 6	
		533 8 0
„ Excess of Income over Expenditure transferred to General Fund ... ..	.....	535 15 0
TOTAL Rs. ... ..	.....	49,263 0 6

S. R. DHADDA,  
Secretary.

SIR BADRIDAS GOENKA,  
President.

**COMMERCE, CALCUTTA.***the year ended 31st December, 1941.*

INCOME:	Rs. A. P.	Rs. A. P.
By Subscription ... ..	.....	21,050 0 0
„ Affiliation Fees ... ..	.....	18,850 0 0
„ Contributions ... ..	.....	7,909 14 0
„ Arbitration Fees ... ..	.....	128 0 0
„ Fees for issuing Certificates ... ..	.....	916 5 6
„ Interest ... ..	.....	355 13 0
„ Fees for filing Awards ... ..	.....	53 0 0
<i>Note.</i> —The figure against subscription from members is the actual sum received, the outstanding subscription not being taken into account.		
TOTAL Rs. ... ..	.. ...	49,263 0 6

**Examined and Found Correct.**

For S. B. DANDEKER &amp; Co.,

S. B. DANDEKER,

B. COM. G.D.A., R.A.,

*Registered Accountant,**Govt. Diplomaed Accountant.*} *Auditors.**Calcutta, the 6th February, 1942.*

**INDIAN CHAMBER OF****Contribution to***For the year ended*

	Rs. A. P.	Rs. A. P.
To Amount spent during the year	.....	449 2 6
„ Balance carried to Balance Sheet ...	.....	6,820 8 3
TOTAL Rs. ...	.....	7,269 10 9

**Contribution to**

	Rs. A. P.	Rs. A. P.
To Amount spent during the year	.....	769 12 0
„ Balance carried to Balance Sheet ...	.....	569 8 9
TOTAL Rs. ...	.....	1,339 4 9

**Contribution to Portraits**

	Rs. A. P.	Rs. A. P.
To Amount spent during the year	.....	19 8 0
„ Balance carried to Balance Sheet ...	.....	251 2 0
TOTAL Rs. ...	.....	270 10 0

**Contribution to**

	Rs. A. P.	Rs. A. P.
To Amount spent during the year	.....	100 0 0
„ Balance carried to Balance Sheet ...	.....	950 0 0
TOTAL Rs. ...	.....	1,050 0 0

*Calcutta, the 6th February, 1942.*

**COMMERCE, CALCUTTA.****Special Fund Account.***31st December, 1941.*

	Rs. A. P.	Rs. A. P.
By Balance brought forward as per last Balance Sheet ...	.....	7,269 10 9
TOTAL Rs. ...		7,269 10 9

**Party Fund Account.**

	Rs. A. P.	Rs. A. P.
By Balance brought forward as per last Balance Sheet ...	.....	339 4 9
„ Contributions received during the year ...	.....	1,000 0 0
TOTAL Rs. ...		1,339 4 9

**of Presidents Account.**

	Rs. A. P.	Rs. A. P.
By Balance brought forward as per last Balance Sheet ...	.....	270 10 0
TOTAL Rs. ...		270 10 0

**Relief Fund Account.**

	Rs. A. P.	Rs. A. P.
By Balance brought forward as per last Balance Sheet ...	.....	1,050 0 0
TOTAL Rs. ...		1,050 0 0



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# **CORRESPONDENCE.**

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## REPRESENTATION ON PUBLIC BODIES.

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### BOARD OF MANAGEMENT OF THE GOVERNMENT COMMERCIAL INSTITUTE.

Letter No. 9 dated the 4th January, 1941, from the Chamber to the Principal, Government Commercial Institute, and Secretary, Board of Management, Calcutta.

I am directed to refer to my letter No. 981 dated the 10th May, 1938 (copy enclosed)\* in which you were informed that as Mr. K. J. Purohit, who had been previously nominated as the representative of this Chamber on the Board of Management of the Government Commercial Institute had expired, Mr. N. L. Puri was nominated by the Committee to serve as a member of the Board in his place. This letter was acknowledged by the Secretary, Government Commercial Institute Board as per his letter No. 367 of the 18th May, 1938, a copy of which is also enclosed.\*

From a copy of the latest printed prospectus of the Institute, however, I find that the name of the representative of this Chamber does not appear in the list of members of the Board of Management. In this connection, I am directed to refer you to the correspondence which this Chamber had with you in July, 1936 (copies of which are enclosed for ready reference)\* when your attention was invited to a similar discrepancy, you had then asked for a fresh nomination of a representative from the Chamber which was duly communicated to you. The Committee very much regret that in spite of the fact of the omission of the name of this Chamber's representative in the list of members of the Board of Management having been brought to your notice before, the omission still continues. Moreover, the Committee understand that ever since his nomination in 1938, Mr. Puri does not appear to have received any communication from you regarding a meeting of the Board or any other matter related to its working. The Committee shall, therefore, be glad to know whether the Board is at all functioning.

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*Copy of letter No.  $\frac{1415}{M-2/A}$  dated the 14th January, 1941, from the Government Commercial Institute to the Chamber.*

With reference to your letter No. nil dated the 4th January, 1941, I beg to inform you that the nomination of Mr. N. L. Puri

as the representative of your Chamber on the reconstituted Board of Management of the Government Commercial Institute, Calcutta was duly forwarded to the Director of Public Instruction, Bengal. In the absence of orders from Government the reconstituted Board has not yet come into existence and the Board with the personnel as shown in the Prospectus sent herewith, has been functioning as before. In the circumstances, stated above, the question of sending any communication to Mr. Puri regarding meetings of the Board or any other matter related to its working did not arise.

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### REPRESENTATION OF INDIAN COMMERCIAL INTERESTS ON THE CALCUTTA PORT TRUST.

Letter dated the 21st January, 1941, addressed by The Bengal National, The Muslim and The Indian Chambers of Commerce, Calcutta to the Government of India, Department of Communications.

We beg to invite your attention to the question of adequate representation of Indian commercial interests on the Board of Trustees for the Port of Calcutta. The conditions obtaining at the time when the Calcutta Port Act was enacted in 1890 have radically changed and the Indian commercial interests have now come to have a very large share in the import and export trade passing through the Port. The European commercial interests have got a disproportionate representation on the Port Trust inasmuch as European commerce is allotted seven seats as against four to Indian commercial interests. We are directed to submit on behalf of all the three Indian Chambers which are represented on the Port Trust that the number of Trustees representing Indian commerce should at least be raised to the same number as allotted to European commercial interests, namely seven. The Chambers do not at present desire to suggest precisely how the increased seats should be allocated but they would lay stress on the point that any additional representation should be given only to these three bodies without detriment to the representation at present enjoyed by them. The undernoted Chambers, therefore jointly request the Government to amend the Calcutta Port Act of 1890 so as to increase the representation of Indian commerce on the Port Trust and to give them statutory representation instead of at Government's discretion as at present.

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Letter No. 2150 dated the 1st November, 1941, from the Chamber to the Government of India, Department of Communications.

*Re: Representation of the Chamber on the Calcutta Port Trust.*

I am directed to invite your attention to the question of the representation of the Indian Chamber of Commerce, Calcutta, on the Board of Commissioners for the Port of Calcutta. The Committee had the occasion to address you conjointly with the Bengal National and the Muslim Chambers of Commerce on the 21st January, 1941, on the question of adequate representation of Indian commercial interests on the Calcutta Port Trust. As pointed out in that communication, the conditions obtaining at the time when the Calcutta Port Act was enacted in 1890 have radically changed and the Indian commercial interests have now come to occupy a very large share in the import and export trade passing through this port. The Committee strongly feel that the representation of Indian commercial interests on the Port Trust is very inadequate at present and that, apart from any broader considerations such as the desirability of vesting the administration of an important public organisation like the Port Trust in the hands of the nationals of the country, even on the basis of the handling of import and export trade, the representation of Indian commercial interests on the Calcutta Port Trust requires to be considerably increased.

In this connection, the Committee would also point out that since the Indian Chamber of Commerce was given one seat on the local Port Trust at its inception about 16 years ago, the importance and the representative character of the Chamber has steadily increased so that it is no exaggeration to say that to-day the Indian Chamber of Commerce, Calcutta, is one of the most representative organisations of Indian commerce in this city as well as in India. The position of this Chamber has been recognised not only by the Provincial Government but also by the Central Government and the Chamber enjoys representation on almost all important public bodies. On a rough estimate, it may be stated that the Chamber represents through its members a capital of about Rs. 400 crores employed in trade, industry and commerce, and all prominent Indian firms including such public utility concerns as the East Indian, Bengal Nagpur and Eastern Bengal Railways are members of this Chamber.

The Committee would also point out in this connection that on an enquiry from the Government of Bengal last year, the Chamber had made investigations into the extent of the share of its members in the total trade passing through the Port of Calcutta. After an extensive enquiry carried out by the Chamber, the figures

submitted for the four years from 1935-36 to 1938-39 were as under:—

	1935-36	1936-37	1937-38	1938-39
	Rs.	Rs.	Rs.	Rs.
Total share of members in imports ...	16,00,00,265	15,92,76,811	16,96,98,656	17,90,27,751
Total share of members in exports ...	17,55,16,136	20,37,27,115	20,78,00,324	24,15,47,175
Grand Total ...	33,55,16,401	36,30,03,926	37,74,98,980	42,05,74,926

The total annual trade passing through the Port of Calcutta being about 130 crores, it will be seen that not only does the Chamber, through its members, represent the interests of about 30% of the total trade interests but that this representative character of the Chamber is also steadily increasing year by year. The Committee have, therefore, to submit that in considering the question of increased representation of Indian commercial interests on the Port Trust, the claim of this Chamber for additional representation, which is fully supported by the figures given above, should be given due consideration. The Committee have also to submit that while the European commercial interests have statutory representation on the Port Trust, the Indian commercial interests do not have such statutory recognition but have to depend upon the pleasure of the local Government who are given the right of selecting the bodies which they deem to be representative of Indian interests. The Committee submit that Indian commercial interests should also be given statutory representation on the Calcutta Port Trust instead of at the local Government's discretion as at present.

The Committee were given to understand last year both by the Government of Bengal and the Chairman of the Commissioners for the Port of Calcutta that the question of increased representation of Indian commercial interests on the Port Trust was receiving the consideration of the Government. The Committee had also had the opportunity of discussing the question with the Hon'ble Sir Andrew Clow, Communications Member, Government of India, when last August he met the Committee of the Chamber during his visit to Calcutta. The Committee trust that the Government of India will take early action in the matter and consider favourably the claim of this Chamber for increased representation on the Calcutta Port Trust.

## CUSTOMS.

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### ASSURANCE OF PROTECTION TO THE STARCH INDUSTRY AFTER THE TERMINATION OF THE WAR.

Letter No. 81 dated the 18th January, 1941, from the Chamber  
to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the question of assurance of protection to the Indian starch industry after the termination of the war. As the Government may be aware, starch is used in a number of industries as an important ingredient in the process of manufacture. For example, in the textile industry it is used as a principal ingredient in sizing cotton yarn and in finishing cotton fabrics; in the paper industry, for sizing paper, as also in the pharmaceutical and toilet articles manufacturing industry, in the preparation of confectionery, biscuits and other sweet dishes. India used to import starch before the outbreak of the war principally from the United States of America, Germany, Netherlands, Japan, Belgium and various other countries to a more or less extent. The total imports of starch into India before the war were as under:—

1936-37	...	...	...	251679 Cwts.
1937-38	...	...	...	343077 „
1938-39	...	...	...	322590 „

The Committee of the Chamber, however, believe that the production of indigenous starch from the factories working at present as also those contemplated to be erected can well meet the demand of the country for starch. Starch is chiefly manufactured from maize, wheat, rice and potatoes but commercial starch is manufactured mainly from maize. India produces over two million tons of maize every year and the Committee believe that all other circumstances necessary for the manufacture of starch such as, raw materials, adequate supply of labour and an assured market obtain within the country. Though starch has been prepared in the country many years past, there was no factory for the manufacture of starch in India prior to the year 1937. In that year two concerns were registered for the manufacture of industrial starch and both of them are working at present, one in India and the other in Burmah (but registered in India and started with Indian capital and under Indian management). The Committee further understand that a third large factory is also contemplated to work soon in Ahmedabad and if the total production of these factories as also various other smaller units in the country, already working and those being erected, such as that in the Punjab,

Bengal and in Cawnpore is taken into account, the total production of starch by the indigenous factories would amount to about 1400 tons per month, *i.e.*, 336,000 cwts per annum. It will be obvious therefore that the industry in India and Burmah is in a position to meet adequately the demand of other industries in the country, for starch.

Before the present war, the starch factories in India and Burmah had to face severe competition and undercutting of rates from foreign starch interests. In fact, the unfair competition of foreign starch had forced some of the factories to close down while others had greatly to curtail their production. After the outbreak of the war, imports of starch from foreign countries have been slightly reduced and the unfair competition has also stopped which has enabled the above-mentioned factories to restart and place their products in the market. The Committee, therefore, firmly believe that if suitable encouragement is given to the starch industry in India and Burmah at this juncture, it will soon expand and establish itself in a position in which it can meet fully the demand of the country in this article. As mentioned above, starch is used in a number of other Industries and it is very essential that when there is a possibility of expansion of the industry as abovementioned, the country should not be dependent upon foreign supplies of starch. Moreover, as already stated, over two million tons of maize are produced in the country every year. Commercial starch is, as pointed out above, usually manufactured from maize and if the starch industry is established in the country it will prove of great help to the cultivator. Maize is not an exportable crop and the agriculturists will therefore be greatly benefited if this commodity is taken into industrial use in the country itself. The Committee further have to point out that maize plant is one of the chief fodder crops of India and Burmah and is thus of considerable help in the feeding of cattle. The establishment of the starch industry in India and Burmah, therefore, will also prove greatly beneficial to the rural economy of the country.

The Committee would further observe that the Government of India have already announced that they are prepared to consider the question of assurance to specified industries, the starting of which is considered essential under conditions created by the war, of such measure of protection against unfair competition from outside after the war, as may be necessary to enable them to continue their existence. In pursuance of their announcement, the Government have already extended such assurance to some of the industries like that for the manufacture of steel pipes and tubes, for the production of bichromates and for the production of aluminium in the country. The Committee of the Chamber have therefore to request the Government that a similar assurance may also be extended to the starch industry. The Committee have definite information that it is contemplated in certain

quarters to undertake further expansion of the industry but that in view of the experience of the industry before the war, some reluctance is felt in proceeding in that direction. In fact, the Committee understand that some of the factories contemplate also to manufacture by-products like glucose, ferrina and dextrose. It is very essential, therefore, that the Government of India should at this juncture come forth with a definite announcement assuring an adequate measure of protection to the indigenous starch industry after the termination of the war.

In view of the importance of the matter, the Committee trust the Government will give early consideration to this subject.

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*Copy of letter No. 261-T(2)/39 dated the 22nd April, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject:—Assurance of protection after war to the starch industry.

I am directed to refer to your letter No. 81, dated the 18th January, 1941, on the above subject. In reply, I am to say that the policy of the Government in the matter of assistance to Indian industries after the war, was stated by the Honourable Commerce Member in the Legislative Assembly on 6th November last, in the course of the debate on Sir Syed Raza Ali's Resolution relating to the fiscal policy of the Government of India.

Government's policy is to examine the claim of any industry provided they are approached by the industry itself, and with a view to enable Government to arrive at a finding as to the scope and needs of the industry and the part it plays in the general economy of the country, they would require to be furnished with complete information on the following points:—

- (i) Present and potential output of the industry.
- (ii) Quality of product and nature and extent of the market supplied.
- (iii) Cost of manufacture, giving separately the expenditure on raw material, labour, overheads etc.

The Government of India regret that they are unable to take any action on your letter under reference, which is not from the industry concerned and which besides discussing the matter only in a very general way, has made a claim, for which there can be no justification that protection should be promised in India for the benefit of factories established in Burma.

2. I am to add that the Government of India are prepared to examine the question of the grant of protection after the war to the Indian starch industry if approached by the industry itself provided the information referred to above is given in full.



Letter No. 1379 dated the 19th June, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Assurance of protection after the War to the Starch Industry.*

I am directed to invite reference to your letter No. 261-T(2)/39 dated the 22nd April, 1941 in reply to my letter No. 81 of the 18th January, 1941 on the above subject. The Committee have carefully gone through the statement of the policy of the Government of India in the matter of assistance to Indian industries after the war made by the Hon'ble the Commerce Member in the Legislative Assembly on 6th November, 1940. The Committee note from your letter that "the Government's policy is to examine the claim of any industry provided they are approached by the industry itself" but they are surprised that the Government of India find themselves "unable to take any action on the Chamber's letter under reference" because it is not from the industry concerned. The Committee feel that the Commerce Member's statement that "each industry should come to the Government and should place its case" before them with regard to assurance of protection after the war could not have been meant to be interpreted so literally and rigidly as to exclude consideration by the Government of any representation made by organised bodies of trade and industry like the Chambers of Commerce. The Commerce Member himself has made a distinction between "that specific industry" and "that specific concern engaged in the industry" and although the Committee do not see any reason why even an application made by any specific concern should not be considered by the Government, they find that the Commerce Member himself visualised that the Government should be approached by *an organisation of the industry* for such assurance of protection and not by "any specific concern" engaged in that industry. In the opinion of the Committee, the essential point is the consideration of the "scope and the needs of the Industry and the part it plays in the general economy of the country and the supply of complete information in order to enable Government to arrive at a finding on these matters and the question as to whether they are approached by any specific concern or an organisation of the industry or a Chamber is only one of secondary concern. The Committee need hardly point out that there are many industries which are not organised and an individual concern may not be in a position to place its case for protection as effectively before the Government as could be done by an organised body like a Chamber of Commerce. Even from the Government's point of view, the Committee think, it is better for them to be approached and to correspond with, an organisation like the Chamber instead of with an individual concern. The Committee appreciate that the Government must be furnished with complete information and data with regard to the industry in respect of which they are approached for assurance of postwar protection but this information could as well and perhaps better,

be supplied by an organised body of the industry and in the absence of that by a Chamber of Commerce rather than by an individual concern. The Committee, therefore, find themselves unable to agree to the principle that Government cannot take action on a letter from the Chamber for assurance of protection to a particular industry unless they are approached by the industry itself.

The Committee also take strong exception to the remark contained in your letter under reference that the Chamber's previous representation "made a claim" for which there could be no justification that protection should be promised in India for the benefit of factories established in Burma. If you will carefully go through the Committee's previous representation on this subject, you will find that the Committee did not approach the Government with a claim for protection for any particular concern but for "the indigenous starch industry" as a whole. In the Committee's previous representation, there is no doubt that a mention was made about the starch factory in Burma along with other factories established in India because the factory established in Burma is also under Indian management and control and is run by Indian capital. There is, therefore, hardly any justification for the Government to say that the Committee only made a claim "for the benefit of factories established in Burma".

The Committee very much regret that their representation of the 18th January was not considered by the Government on its merits.

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#### IMPORT OF STARCH INTO INDIA FROM BURMA.

Telegram dated the 7th April, 1941, from the Chamber to the Government of India, Department of Commerce.

Reference New Indo-Burma Trade Agreement Committee Indian Chamber understand India Government considering Items of Imports from Burma on which duties may be Imposed. Committee take this opportunity of referring to imports of starch from Burma which is mainly used as material in manufacturing process in various Industries particularly Textiles. Certain Textile Mills already reported to be experiencing difficulty in getting starch owing high price of foreign starch and shipping difficulties. Committee understand Burma is in position to supply needs of Bengal market in starch Committee therefore strongly urge Government not to subject starch Imported from Burma to duty in the interest of smooth working of various Industries.

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PUBLICATION OF THE TEXT OF THE INDO-BURMA TRADE AGREEMENT.

Telegram dated the 16th April, 1941, from the Chamber, to the Government of India, Department of Commerce.

Absence of full text Indo-Burma Trade Pact causing considerable inconvenience to Commercial Community. Committee Indian Chamber request early publication.

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Letter No. 813 dated the 16th April, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite reference to the Indo-Burma Trade Pact signed by the representatives of the Government of India and of Burma early this month. The Committee regret that the full text of the new trade pact has not been yet made available to the public. The Committee would point out that the Indian commercial community are keenly interested in the Indo-Burma Trade Pact and have been awaiting since a long time to know the terms on which the new pact would be signed. Now that the Pact has already been signed, the Committee feel it is desirable that the Government should let the public know the terms of the same and they would be glad, therefore, to be enlightened as to when the Government intend to publish the full text of the pact. The Committee would also request the Government to let this Chamber have a copy of the new Indo-Burma Trade Pact as early as possible. I confirm having sent to you a telegram to-day to this effect.

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*Copy of letter No. 100-T dated the 7th April, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject :—Indo-Burma Trade Agreement.

With reference to your letter No. 813, dated the 16th April, 1941, on the above subject, I am directed to forward for information, a copy of the heads of Agreement\* reached between the delegates of India and Burma which were released for publication on the 25th instant. The heads of Agreement will be followed by a formal trade agreement in due course.

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RICE CONTROL : GOVERNMENT OF BURMA TO BECOME SOLE EXPORTER  
OF BURMA'S NEXT YEAR'S CROP.

Telegram dated the 10th September, 1941, from the Chamber to the Government of India, Department of Commerce.

Committee Indian Chamber desire to invite Governments attention to brief press message published this morning that Burma Government has decided to control export of next years rice crop by itself becoming sole exporter. Although further details of, proposed control not yet available Burma Governments reported intention to become sole exporter of rice has seriously perturbed Indian Mercantile Community and is causing grave anxiety as such step would very seriously affect Indian Exporters in Burma practically resulting in closure of their Export business. Owing seriousness and importance of matter committee earnestly request Government to communicate with Burma Government immediately for clarification of proposed control and urging them not to take unilateral action in view of large interests of Indian merchants involved and give adequate time to Commercial Community to express its opinion before finalising any control.

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*Copy of letter No. 57-C. W. (5)/40 dated the 17th September, 1941, from the Government of India, Department of Commerce, to the Chamber.*

I am directed to acknowledge receipt of your telegram dated 10th September, 1941, regarding the announcement made by the Government of Burma for the control of exports of rice. In reply, I am to say that the Government of India are in correspondence with the Government of Burma on the subject and that the considerations mentioned in your telegram will be borne in mind during the discussions with that Government.

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DIFFICULTIES EXPERIENCED BY IMPORTERS OF PEARL TAPIOCA  
AND SAGO SEEDS FROM STRAITS SETTLEMENTS.

*Copy of letter No. S No. 21-937/40-A dated the 30th January, 1941, from the Collector of Customs, Calcutta, to the Chamber.*

Pearl tapioca and sago seeds from the Straits Settlements—  
Assessment of, under guarantee—Preliminary  
demands for extra duty.

I have the honour to refer to your letter No. 3751 dated 30th November 1940.

2. In order that the guarantees executed by the importers may also be legally enforceable under the Sea Customs Act, they are followed by preliminary demands for extra duty under section 39 of that Act pending completion of investigation of the cases. These demands are not enforced if the evidence produced is eventually found to be satisfactory when the demands are withdrawn and the guarantees discharged, as has recently been done in a number of the cases now under reference.

3. This procedure is not expected to cause any hardship to the importers.

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CHANGE IN THE SYSTEM OF DISTRIBUTION OF FREIGHT FOR  
EXPORTS OF RICE TO MAURITIUS.

Telegram dated the 13th June, 1941, from the Chamber to the Government of Mauritius.

Committee Indian Chamber understand Mauritius food controller approached by some importers there to alter prevailing system distribution freight for rice imports into Mauritius and allot space to importers there instead of allotment at present to exporters in India and Burma who have developed and are maintaining rice trade between these countries and Mauritius over several decades. Two of biggest exporters have also got their own firms in Mauritius and hence are entitled to protection. Committee do not see any reason for unnecessary disturbance of present channels of trade as Mauritius consumer not suffering in any way under present system when prices are being controlled by food controller on basis of existing prices in India and Burma. Suggested transfer of freight distribution from India to mauritius would be greatly detrimental to and dislocate trade Chamber therefore urge Mauritius Government prevent any such dislocation and maintain prevailing system of distribution space on basis of past three years Shipments from India which is most equitable. Committee have also approached Government of India.

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*Copy of telegram dated the 27th June, 1941, from the Colonial Secretary, Mauritius Government, Port Louis (Mauritius) to the Chamber.*

While this Government willing to conduct importation of rice through usual trade channels so long as these are satisfactory it must ensure that individual importers receive the amounts for which licences have been issued to them so as to provide adequate supplies for the colony. Only means of penalising importers

who fail to import full licensed quantity is to reduce their licensed quantity for the following year and allot balance to those importing full licensed quantities. Under such circumstances some elasticity in basis of allotment of freight must be provided not only or necessarily to allow new shippers to enter market but also to enable adjustment between old shippers. The food Controller is confident that he can make satisfactory adjustment with shipping agents which will be fair to all concerned and he relies on the promised co-operation of shippers to ensure that trading will continue on the same harmonious lines as in the past.

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Telegram dated the 13th June, 1940, from the Chamber to the Government of India, Department of Commerce.

Reference rice Exports from India Burma to Mauritius Committee Indian Chamber understand Mauritius food Controller approached by some Importers there to alter present system of distribution of rice freight and allot freight Quotas to Importers in Mauritius instead of their distribution at present to exporters in India. Such step would deprive Indian Exporters of their right to ship and of participation in trade developed over several decades and would thus be greatly detrimental to and dislocate Indian rice trade. Committee urge Government take immediate steps approach Mauritius Government to maintain prevailing system of distributing space in India by Steamship Company concerned on basis of past three years Shipments.

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*Copy of letter No. 76-C.W.(3)41 dated the 7th July, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject:—Shipments of rice from India to Mauritius.

With reference to your telegram dated 13th June on the subject I am directed to say that the question which really relates to the grant of import licences for rice by the Mauritius Government is entirely one for the Colonial Government to decide.

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#### TRANSACTIONS IN EXPORT AND INTERNAL CONSUMPTION QUOTA FOR TEA.

Letter No. 1049 dated the 15th May, 1941, from the Chamber to the Indian Tea Association, Calcutta.

It has been brought to the notice of the Committee of the Indian Chamber of Commerce that the Indian Tea Association

has recently circularised all tea 'agency houses and proprietary interests' to 'conduct all their business in the purchasing and selling of export and internal consumption quota' only through 'the firms of brokers who are members of the Calcutta Tea Brokers Association'.

Ever since the adoption of the International Tea Control Scheme of 1933, subsequently renewed in 1938, the production and exports of tea have both been statutorily restricted by the adoption of a quota system. Under this system, producers of tea already in the field are allotted quotas both for the growing of tea and for the export of proportionate quantities. Most of these export rights which are held by European tea planters, who control more than 85% of the total tea production in India and who have got direct connections abroad, are utilised by the holders themselves for direct export. Among the Indian producers also direct export business is increasing with the result that only a very small percentage of the total export rights remains actually to be sold in the market. The Committee are given to understand that the entire value of business in export quotas does not exceed 7 to 8 percent of the total allotment of quotas to the whole of India. As almost all the sellers of these quotas are Indians, the services and co-operation of the Indian brokers have all along been eagerly sought by the European agency houses. As a matter of fact, it was the Indian brokers who organised the present quota market after the passing of the Indian Tea Control Act in 1933 and cordial relations have throughout existed between them and the European agency houses in Calcutta. It is, therefore, somewhat surprising that the Indian Tea Association should now come forward with a recommendation to its members which will have the effect of confining the trade in export and internal quotas to be done only through the four European firms who are members of the Calcutta Tea Brokers Association.

The Committee are given to understand that your Association has based its recommendation on the ground of avoiding alleged 'speculative operations'. It is said that the entry of speculators into the market reduces the quantity of quota available for growers of tea and 'inevitably forces prices up' against them and that it is desirable to keep the quota market free from such speculative influences. The Committee are, however, informed that this allegation of speculative transactions does not bear relation to facts and, in any case, has been exaggerated. Taking the season 1940-41, when there were unprecedented market fluctuations owing to the war situation, first downwards from 75 pices to 48 pices and then upwards to 135 pices per lb., it is understood that the accumulation of export rights hardly exceeded 5% of the saleable quotas during the entire season. Even this nominal accumulation was almost equally shared between Indian and European brokers. It does not, therefore, appear to be borne out by facts that the Indian brokers had been responsible

for introducing the element of speculation in the quota market or for reducing "temporarily the quantity of quota available for growers of tea". Moreover, as pointed out above, the volume of business done in export quotas forms a very small percentage of the total export quotas available. The Committee understand that out of about 350 million lbs. of tea exported from India, export quotas relating to only about 25 million lbs. are transferred in the quota market. The Committee are, therefore, unable to appreciate that operations in the quota market, relating as they do to a very small percentage of the total export quota available, might result in dislocating the export market or 'in forcing prices up against producers'. In fact, the Committee understand that the export prices for tea have not been influenced by the prices at which export quota rights are sold in the internal market and have kept up on many occasions irrespective of the prices of export quota rights having gone down. It is obvious that export prices of tea are determined by international factors of demand and supply and that the internal market operations in respect of a very small percentage of the total exports have no effect on the export price.

The Committee are, therefore, unable to find any justification for the alleged charge of "unhealthy speculation" against Indian brokers and for the conclusion that transactions through them should be stopped "in the interests of producers". The Committee need hardly mention that such a step would not be in conformity with the cordial and smooth business relationship which has existed between European agency houses on the one hand and the Indian members of the trade on the other and might only result in disturbing these relations which would not be in the best interests of the industry as a whole. The Committee hope that the Indian Tea Association will give serious consideration to the matter and reconsider their recommendation in the interests of the tea trade.

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*Copy of letter No. 2087/42A-O dated the 3rd July, 1941, from the Indian Tea Association, Calcutta to the Bengal National Chamber of Commerce (copy forwarded to the Chamber).*

Transactions in export and internal  
consumption quota.

I am directed to refer to your letter No. IND-2B dated 14th May and to inform you that the General Committee of the Association have decided to withdraw their recommendation that members of the Association should conduct all their business in the purchasing and selling of export and internal consumption quota through the members of the Calcutta Tea Brokers Association.



EXPORT OF JUTE CUTTINGS.

*Copy of letter No. 342/41 dated the 3rd March, 1941, from the Collector of Customs, Calcutta to the Chamber.*

I have the honour to address you on the subject of the export of jute cuttings.

2. As you are aware the rate of duty on cuttings is Rs. 1/4/ per bale of 400 lbs., while the rate of duty on all other descriptions of raw jute is Rs. 4/8/- per bale. This disparity in duty has unfortunately led to malpractices, and a shipper was recently convicted in the criminal courts of fraud against Customs revenue arising out of shipment of jute described as jute cuttings. In view of this it has become necessary for my department to take careful precautions in regard to shipments of goods described as jute cuttings, and it is feared that these precautions have caused, and must necessarily cause, some inconvenience to shippers. In the circumstances it is desirable for the convenience of all concerned that an easily workable and authoritative definition of jute cuttings should be arrived at. I should much appreciate your suggestions in this matter.

3. Amongst other things it appears to be essential that the definition should provide for a limit of length, since otherwise a loophole will be left for malpractices. The prescribed maximum lengths should perhaps vary in accordance with the qualities of jute from which the cuttings are cut. It may also be possible to provide for limits of value, such limits bearing relation to the current prices of the jute from which the cuttings are cut.

4. I should be obliged if you would let me have your views on these points and any other suggestions which you may care to put forward.

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Letter No. 770 dated the 4th April, 1941, from the Chamber to the Collector of Customs, Calcutta.

*Re: Jute Cuttings.*

I am directed to refer to your letter No. 342/41, dated the 3rd March, 1941, on the subject of the export of jute cuttings. The Committee note that 'it is desirable for the convenience of all concerned that an easily workable and authoritative definition of jute cuttings should be arrived at', and they have to submit their views in the matter as under:—

Jute Cuttings may be described as the portions of jute generally cut from the root ends of the fibre, and also sometimes from the top side, in the process of preparing and classifying jute according to different qualities. Apart from these, cuttings are

also obtained in the process of trimming to bring up the quality of the rest of the jute. The top cuttings when available are mixed with the root cuttings and one of the methods by which they can be distinguished is that they always give an appearance of having been cut by means of a sharp instrument. Moreover there is one broad distinction between cuttings in jute, *viz.*, in the method of packing. While loose jute fibres are hackled and twisted and then pressed into pucca bales, in the case of jute cuttings, these are thrown together, jumbled up and pressed into bales.

As regards the length of jute cuttings, it may be pointed out that the term 'cuttings' embraces such a variety of grades and descriptions, and the characteristics and standards vary to such an extent that classification is not easy, particularly as regards determining as to what length of the fibre can be regarded as a maximum for these cuttings. The jute cuttings may vary from 2 inches to anything upto even 36 inches in some cases, although generally the variance may be put between 2 and 24 inches.

As regards the limits of prices, the Committee may point out that these vary considerably from time to time according to demand and supply position and also according to the quality of jute from which they have been cut and that it is very difficult to fix any limits of price.

The Committee shall be glad to be informed of the final decision arrived at by you after receiving views from the various bodies concerned.

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#### JUTE SHIPMENTS TO THE UNITED KINGDOM.

Telegram dated the 16th July, 1941, from the Chamber to His Majesty's Government, Ministry of Supply, London.

Reference Allocation Shipping space for Jute Shipments from India to British Ports Indian Chamber understand Supply Ministry Instructed its Indian Shipping Representative to allot all available space for unshipped Jute of 1940 contracts before allowing Shipments 1941 contracts. Such action contravenes procedure hitherto followed allocating space on percentage previous two years Shipments and greatly detrimental unfair to Indian Shippers Chamber urge cancellation above instructions.

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Telegram dated the 15th July, 1941, from the Chamber to the Government of India, Department of Commerce.

Committee Indian Chamber of Commerce Calcutta invite urgent attention of Government to question of allocation of shipping space for jute shipments to Uk. Owing to shortage of shipping space a procedure agreed upon between shippers Calcutta

liners conference and shipping controller was adopted in September 1940 for allotting space to individual shippers in strict proportion to their average annual percentage shares of their total Export Trade to U.K. during two seasons prior to outbreak of war. This procedure was considered to be fair and equitable and in fact when some shippers approached shipping representative in India for relaxation of this principle for their previous sales the shipping representative definitely stated that they could not be given any preference at cost of other shippers. This system has been followed since and there has been no trouble whatsoever. Now suddenly British Ministry of Supply has issued instructions to their shipping representative in India that all unshipped sales made during 1940 should be allocated space before any further allotment is made for 1941 contracts irrespective of quota arrangement. Committee may state that sales made before January 1941 were at lower prices than sales made subsequently and apparently Dundee spinners have prevailed upon British Supply Ministry to get all jute purchased at lower prices. This action of British Supply Ministry in contravention of agreed procedure for allotment of space is obviously unfair and detrimental to interests of shippers in India. Committee therefore strongly urge India Government represent matter immediately to British Government and get previous procedure restored. In view of urgency and importance of matter Committee again solicit immediate action.

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Letter No. 1548 dated the 15th/16th July, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Allocation of shipping space for Jute shipments to United Kingdom.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your urgent attention to the question of allocation of shipping space for jute shipments to the U. K. ports. Owing to the shortage of shipping space due to war conditions, a procedure was agreed upon in September, 1940 between the representatives of the shipping trade in Calcutta and the Calcutta Liners Conference in consultation with the Shipping Controller that shipping space "will be granted to individual shippers in strict proportion to their average annual percentage shares of the total export trade to the U. K. for the period of the two seasons prior to the outbreak of war". This decision was communicated by the Calcutta Liners Conference to the Calcutta Baled Jute Association in their letter of the 27th September, 1940. It was also clearly mentioned by the Conference Lines that they considered it desirable to notify the Association of this arrangement "in order to avoid the possibility of overtrading" on the part of exporters in the membership of that Association. This procedure for the allocation of shipping space for shipment of jute to

the U. K. was considered to be fair and equitable and the same was reiterated by the Liners Conference in their letter of the 26th November, 1940 addressed to the abovementioned Association. It was also stated by the Calcutta Liners Conference that this procedure had the concurrence of the British Ministry of Shipping. In fact, when this procedure was going to be adopted, some shippers approached the Shipping Representative of the Ministry of Supply in India with a view to be allowed to clear off the shipments in respect of their sales made before that date irrespective of the quota arrangement, but they were told by the Representative of the Ministry of Supply that the Government did not want to deprive other shippers of their due share of percentage space and that the shippers who had made "reckless sales" could not be given any preference over others. It was thus definitely understood at that time that the allocation of shipping space in future shall be made on the basis of the percentage quota allotted to each shipper and the shippers had been making forward sales on that basis being sure of getting their percentage share of the space as a matter of right. This procedure has been in force since then and there has been no trouble whatsoever.

The Committee now understand, however, that the Shipping Representative of His Majesty's Ministry of Supply in India has received instructions from the Ministry of Supply that consignments of jute in respect of unshipped sales made prior to the end of the year 1940 should be shipped "before any further freight space was allocated for contracts entered into in 1941". The Committee understand that the Shipping Representative of His Majesty's Ministry of Supply had informed the Ministry "on several occasions that to carry these instructions into effect would mean a serious departure from the system of allocating space on the basis of shippers' average shipments for the two years preceding the war which had been approved by all concerned in Calcutta as the fairest and simplest method and that such a step would, therefore, be strongly disapproved of by the shippers". Despite this, however, the Ministry of Supply is reported to have refused to alter their instructions and the Shipping Representative in consultation with the Calcutta Liners Conference has, therefore, decided that the outstanding 1940 contracts for shipments of jute should be shipped during July and August before space is allocated for the shipment of contracts entered into in 1941.

The Committee would like to point out that the sales made before January, 1941, were at lower prices while after 1st January, 1941 jute prices have gone up. It is apparent that the British Ministry of Supply are acting under pressure from the Dundee spinners who are anxious to get jute which they purchased at lower prices during 1940. The Government of India will, however, appreciate that this action of His Majesty's Ministry of Supply is very unfair and detrimental to the interests of the trade in general and shippers in particular in India besides being in

contravention of the procedure agreed upon between all interests concerned and which even the Ministry of Supply had previously refused to interfere with. It need hardly be emphasised that the shippers have been making forward sales on the basis and in the hope of getting space every month according to their percentage quota and it would now be very unfair to give advantage to shipper who made forward sales without keeping in view their quota rights and to deprive others who conformed to the above procedure of their right of shipment. The Committee therefore strongly urge the Government of India to represent the matter without any delay to the British Government and get the inequity set right and the previous procedure restored. In view of the urgency of the importance of the matter, the Committee would again solicit immediate action on the part of the Government of India. I confirm having sent a telegram on the above lines to you to-day.

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#### DIFFICULTIES EXPERIENCED IN IMPORTING MACHINERY AND MACHINE TOOLS FROM ABROAD.

Letter No. 1972 dated the 27th September, 1941, from the  
Chamber to the Secretary to the Government of India,  
Department of Supply.

I am directed by the Committee of Indian Chamber of Commerce, Calcutta to invite your attention to the question of "difficulties experienced in importing machinery and machine tools from abroad", which was discussed *inter alia* when the Committee of the Chamber met the Hon'ble the Supply Member and yourself, on the 18th September, 1941. It was pointed out at the Meeting that Priority Certificates had to be obtained before machinery could be imported from the United Kingdom or America. It however, took a long time to get these Priority Certificates, the period for which the importers had to wait for the same being often as long as five to six months. Moreover, even when the Priority Certificate was obtained from the Commerce Department, the Authorities in the United Kingdom demanded that a certificate should also be obtained from the Director-General of Munitions Production to the effect that the Factory was engaged in War work. While the particular case which was cited in this connection at the Meeting has been subsequently set right and the Priority Certificate obtained by the Firm has been accepted by the Authorities in the United Kingdom, the Committee of the Chamber feel that that it is essential to see firstly that the issue of priority certificates is not so much delayed and secondly that when the certificates are issued by the Commerce Department they should always be accepted by the Authorities in the United Kingdom and the U. S. A. and no fresh certificate from the Director-General, Munitions Production, should be demanded,

The Committee need hardly point out that in times like the present when the markets are uncertain, a delay of five to six months would place the importer in a difficult situation. Moreover, there is no reason why applications for urgent needs should be delayed for such a long period.

As regards the U. K. or U. S. A. Authorities demanding a fresh certificate from the Director-General of Munitions Production, the Committee would point out that the Government of India should inform them that the certificates of the Commerce Department are being issued after making all due enquiries and there is no reason to demand any further certificate that the Factory has been actually engaged on essential work.

In fact, what the Committee of the Chamber have often found in such cases, is that neither the public are correctly apprised about the proper department which would grant the necessary certificates for imports nor are the Departments amongst themselves aware as to which is entitled to entertain a particular application for import certificate. The Committee had therefore suggested that a simplified procedure should be evolved for granting import certificates. They need hardly point out that this would greatly facilitate import of essential articles and avoid the unnecessary difficulties and duplication of work which importers have to undergo at present. The Committee have no doubt that the experience of the past two years would enable the Government to evolve a simple procedure in this connection.

They would request you, therefore, to give your early consideration to the matter.

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#### REDUCTION OF IMPORT DUTY ON WHEAT.

Letter No. 2081 dated the 17th October, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to address you with regard to the recent notification of the Government reducing the import duty on wheat from Rs. 1/8/- per cwt. to as. 2 per cwt. While the Committee appreciate the concern of the Government to check the rise in prices of wheat which was discernible to a certain extent prior to the reduction of the import duty, they feel that the rise was neither so steep nor was it sustained for a sufficiently long time to justify the bringing down of the import duty to the level of as. 2 per cwt.

The Government are no doubt aware that during the last Great War prices of wheat had gone up as high as Rs. 7/- per maund. Even at these prices wheat was not available. At no

time during the present occasion had prices even come to anywhere near the above level. Since the crash of prices of staple food products in 1930 it was for the first time that the agriculturist was looking forward to getting a reasonable return for his labour. Besides, in view of the rising cost of all the necessities of life on which he depends, it was just and proper that he should have been permitted to get a better price for his produce. Moreover, the Government should have foreseen the effects of allowing exports of wheat to the Middle East on the wheat position in the country. Instead of exporting wheat from India to the Middle East and then importing it into the country from Australia by reducing the import duty the better course would have been to enable and arrange for transport of wheat to the Middle East direct from Australia.

The Committee, therefore, protest against the action of the Government in reducing the import duty on wheat and thereby depriving the agriculturists from the benefits arising out of better prices of their produce.

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#### BAR OF HIGH COURT JURISDICTION IN REVENUE MATTERS.

Letter No. 2082 dated the 17th October, 1941, from the Chamber to the Government of India, Legislative Department.

I am directed to address you regarding bar of High Court Jurisdiction in revenue matters, particularly under the Sea Customs Act. According to the provisions of Section 188 of this Act, an appeal against the orders of an Officer of Customs lies before the Chief Customs-Authority or an Officer not below the rank of a Customs Collector whose orders in appeal are final. Section 191, however, provides for a revision of the decision by the Central Government. Further section 226 of the Government of India Act precludes any remedy before a High Court of legislature in revenue matters, and lays down that until otherwise provided by an Act of the appropriate legislature, no High Court shall have any jurisdiction in any matter concerning the revenue, or concerning any act ordered or done in the collection thereof. It is further provided that if a Bill or amendment is sought to be introduced in this connection it shall require the previous sanction of the Governor-General or the Governor.

It will thus be seen that for an order passed by an Officer of Customs, the only remedy available is an appeal to the chief Customs-Authority or an application to the Central Government for revision of the order passed by such authority. While the Committee do not desire to cast any reflection on the nature of the orders passed by the officers of the Department, they feel that the present system is hardly conducive to creating that amount of

confidence in the minds of the persons paying Duty, as is necessary. In any case, the Committee are definitely of the opinion that if the importer or the exporter as the case may be, is given a remedy against customs demands in a proper court of law, he will feel himself more secure. An opportunity to represent his case fully before a properly constituted court of law will inspire the necessary confidence in him. The Committee would, therefore, request the Government kindly to introduce a Bill in the Central Assembly with due sanction of the Governor-General to modify section 226 of the Government of India Act and also to amend the Sea Customs Act, with a view to establish the principle of redress in the High Courts in matters affecting Customs Revenue.

An early reply is requested.

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*Copy of letter No. D. A. Dis. No. 1108-Cus. 1/41 dated the 30th October, 1941, from the Government of India, Finance Department to the Chamber.*

Government of India Act, section 226—Sea Customs Act, section 188—Proposed amendment of, to provide for appeals to Civil Courts on Customs matters.

I am directed to refer to your letter No. 2082, dated the 17th October, 1941, to the Government of India in the Legislative Department, in which you suggest an amendment of the Sea Customs Act and of section 226 of the Government of India Act with a view to provide for appeals to Civil Courts in matters affecting Customs revenue. In reply, I am to say that there is no prospect of the Government of India being able to take up examination of proposals of this nature until after the War.

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#### NECESSITY TO PROHIBIT EXPORTS AND RE-EXPORTS OF RAW SILK FROM INDIA

Letter No. 2169 dated the 4th November, 1941, from the Chamber to the Government of India, Department of Commerce.

The Committee of this Chamber understand that on account of the large demand from some of the neighbouring markets for raw silk yarn at attractive prices there is a likelihood of the article being exported from India in appreciable quantities. The Committee further learn that this would however place the Indian silk throwing and weaving industry to considerable difficulties as the industry would be deprived of its necessary raw materials. The Committee would point out that the average annual consumption of silk in India as estimated by the last Tariff Board on the Industry is 40,00,000 lbs. The total production of raw silk



in India was estimated to be 20,60,000 lbs. and the pre-war imports of the article into India amounted to about 19,74,000 lbs. Recently, however, on account of the war conditions imports from some of the foreign sources especially from countries like China and Japan have considerably declined. The present stock in the country therefore, of raw silk, the Committee understand, is hardly sufficient to meet the requirements of the Indian industry and it is therefore very essential that the same should be conserved for the benefit of the indigenous industry and the large number of persons dependent upon the same. The Committee would therefore suggest that the Government should immediately prohibit exports and re-exports of raw silk from India. As such an embargo by itself however, would not suffice to serve the purpose in view, the Committee would further request the Government also to prohibit exports of raw silk yarn from the country.

The Committee understand that the Association of Indian Industries, Bombay, have submitted a representation to the Government on the subject. The Committee are in favour of the views expressed by the Association in the same.

In view of the importance of the matter the Committee trust the Government would take immediate action in the matter.

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#### PROPOSAL TO RAISE DUTY ON KEROSENE.

Letter No. 2013 dated the 8th October, 1941, from the Chamber to the Government of India, Department of Commerce.

#### *Proposal to raise duty on Kerosene.*

I am directed to enclose herewith a copy of an Associated Press message dated Simla September 4th\* stating *inter alia* that in view of "the lower duty on Kerosene offering inducement" to car-owners for mixing petrol with kerosene, the Government "may take action by equalising the duty on kerosene with that of petrol" in order to prevent such ration dodging. The Committee are not aware how far the report is correct but they take this opportunity of pointing out the undesirability of the Government adopting any such vindictive measure. The Government will appreciate that the putting up of duty on kerosene which is widely used by the masses in this country would be tantamount to putting fresh burdens of taxation on the community in order to prevent the alleged ration dodging by a few car-owners and such a measure would not be justified by any criterion of public finance. As pointed out in the press message itself, the use of the mixture of petrol with kerosene is harmful to motor engines

and this fact itself is enough to exercise a check on any widespread use, if at all, of kerosene as a partial substitute for motor spirit. On the other hand, kerosene by itself is an important article of domestic consumption specially among the poorer sections of the community and there would be no justification for the Government to increase the duty on this essential article of daily consumption for the masses in a vindictive manner as stated in the press message. The Committee trust that the grounds which they have put forward would dissuade the Government from entertaining any such proposal and, in order to allay any misgivings in the minds of the public on this matter, the Committee would request the Government to issue a press note clarifying the matter.

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*Copy of letter No. P.R.65/41 dated the 29th November, 1941,  
from the Government of India, Department of  
Commerce to the Chamber.*

Subject: Import duty on Kerosene.

I am directed to refer to your letter No. 2013, dated the 8th October, 1941, and to say that the Associated Press message quoted therein was published without authority.

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**SHUT-OUT CARGO—LEVY OF PORT COMMISSIONERS'  
CHARGES ON THE SAME.**

Letter No. 757 dated the 2nd April, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to refer to the charges levied by Port Commissioners in regard to export cargo brought down to the docks awaiting shipment per steamers which are subsequently withdrawn owing to Government requisitioning. The Port Commissioners charge dock storage rates for such 'shut out' cargo, but as the Government will appreciate, neither the shippers nor the shipping company concerned is responsible for the detention of such cargo. It is, therefore, unfair that either the shippers or the shipping companies should be called upon to bear these additional charges, and the Committee submit that in such cases where export cargo is detained owing to Government requisitioning a steamer, the Government should either ask the Port Commissioners not to levy any charges or should arrange to pay the relative bills themselves.

As cases of this nature have occurred and shippers have been asked to pay rent charges for such 'shut out' cargo, I am directed

to request the Government kindly to look into the matter immediately and issue the necessary instructions at an early date.

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Letter No. 1455 dated the 5th July, 1941, from the Chamber to the Government of India, Department of Communications.

I am directed to invite reference to your letter No. 9-P(36)/41 dated the 30th May, 1941 regarding levy of storage charges on shut-out cargo at the Port of Calcutta. It is stated therein that the Calcutta Port Commissioners who were consulted on the subject, have expressed their inability to accede to the request of this Chamber for the waiving of rental charges payable for goods shut-out owing to the vessels, for which they were intended, being requisitioned by the Government. The Committee's contention, however, was that in cases where export cargo brought down to the docks for shipment was detained owing to Government requisitioning the steamer, the Government should either ask the Port Commissioners not to levy any charges or should arrange to pay the relative bills themselves. If, as the Government say, the Port Commissioners are unable to waive the rent charges in such cases, it is obviously for the Government to meet these charges. The Committee need hardly reiterate that neither the shipper nor the shipping company concerned can in any manner be deemed to be responsible for the detention of such cargo when the particular steamer by which the same is booked is requisitioned by the Government. The Committee feel that it is only fair that in such cases, if the Government cannot persuade the Port Commissioners to waive these additional charges, the Government should themselves arrange to pay the relative bills for Port Commissioners rent charges.

The Committee would be glad, therefore, if you will kindly reconsider the matter and let them have a reply on the subject at an early date.

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Letter No. 1846 dated the 6th/8th September, 1941, from the Chamber to the Hon'ble Sir A. Ramaswamy Mudaliar, Kt., C.I.E., *Commerce Member, Government of India.*

I beg to invite reference to the subject of levy of storage charges on shut-out cargo at the Port of Calcutta which was discussed *inter alia* at the meeting, the Committee of this Chamber had with you on Friday the 8th August 1941. I am directed to enclose herewith a copy of the letter the Committee had addressed to the Government of India on the subject and have to request the Government to kindly address the Calcutta Port

Commissioners further on the subject so that the additional charges for which neither the shipper nor the shipping company concerned is responsible may be waived.

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*Copy of letter No. 136-M.I.W.(1)/40 dated the 10th December, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Re: Remission of Demurrage charges etc.  
on dumped cargoes.

With reference to your letter No. 1455, dated the 5th July, 1941, on the above subject, I am directed to say that the Government of India are unable to accept the contention of the Indian Chamber of Commerce that they should meet the rent charges in case the Port Commissioners refuse to waive them.

2. As regards the correspondence ending with your letter No. 1731, dated the 12th August, 1941, I am to say that the Government of India have already arranged with the various Port Trusts for a substantial reduction of the demurrage charges in the cases in question and they do not think that any further relief is called for in this connection.

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LEVY OF TOWN DUTY ON IMPORTS OF VEGETABLE PRODUCTS INTO  
THE CITY OF BOMBAY.

Letter No. 1936 dated the 22nd/23rd September, 1941, from the Chamber to the Commissioner, Bombay Corporation, Bombay.

The attention of the Committee of this Chamber has been drawn to the fact that the Bombay Municipal Corporation levies an Octroi Duty of As. -/10/- per qr. weight on "ghee substitutes (of whatever composition) which are not pure ghee but which resemble pure ghee and are capable of being used as substitutes for pure ghee". The Committee of this Chamber feel that the imposition of such a duty on vegetable products is detrimental to the growth of the vegetable product industry in the country. The Committee would point out that vegetable product has gradually come to be recognised as a wholesome substitute for ghee. Previously India used to import large quantities of vegetable product from some of the continental countries like Holland but in recent years several vegetable product factories have been established in the country. The Town Duties however, operate as a considerable handicap to the development on a market for vegetable product in the country.

The Committee would also point out that such Town Duties hamper the growth of free trade amongst the various provinces. It will be appreciated that if Provincial Governments or municipalities begin to impose Provincial or Town Duties on imports of products manufactured outside their jurisdiction it will prove very difficult for articles to move from one province to another and development of trade will be considerably restricted. The Committee need hardly emphasise that the growth of free trade amongst the provinces and towns is essential in order to encourage the various industries of the country and they feel that imposition of the Town Octroi Duty on vegetable products in Bombay is, therefore, detrimental to the development of the industry in the country.

The Committee understand that there are three vegetable product factories working at present in Bombay and its suburbs and they believe, therefore, that the town duty levied by the Bombay Municipality is not designed to prohibit the sale of vegetable product in the city of Bombay. Perhaps the duty is levied for revenue purposes. The Committee would, however, point out that the same results in discrimination against the products of factories situated outside Bombay. The local manufacturers have practically monopolised the market for their products and it has been well-nigh impossible for manufacturers of vegetable products in other provinces to sell their goods in Bombay. The Committee would further state that no such Town Duty on vegetable products is imposed at Calcutta and it is, therefore, unfair that while the factories at Bombay and other places are allowed freely to compete with the local manufacturers in the Calcutta market, the latter are not allowed to compete on equal terms with the manufacturers in the city of Bombay.

The Committee, therefore, feel that the Town Duty on vegetable products in Bombay which results in such discrimination against other Indian manufacturers is not desirable and they would be glad if you will kindly take necessary steps to have the Duty removed as early as possible. In view of the fact that the market in Bombay is practically monopolised by the products of the local manufacturers, the Committee feel that hardly any appreciable income can be accruing to the Corporation from the Duty. The Committee trust there will be hardly any objection, therefore, in removing the Duty.

An early reply will oblige.

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#### LEVY OF IMPORT DUTY ON VEGETABLE PRODUCTS INTO CEYLON.

Letter No. 2373 dated the 3rd/4th December, 1941, from the  
Chamber to the Government of India,  
Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the recent increase

in the import duty levied by the Government of Ceylon on substitutes for ghee. The Committee have been informed that before 1934, the duty on all kinds of ghee was 15% *ad valorem* and no distinction was made between real ghee and substitutes. In 1934, however, in order to encourage the local production of real ghee, the duties were altered to Rs. 17/- per cwt. for pure ghee, Rs. 10/- for vegetable ghee and Rs. 20/- for fish oil, edible. The principal Collector of Customs, however it is said, reported that although animal ghee could be distinguished from substitutes, it was not possible to differentiate fish oil from vegetable ghee. The Government of Ceylon, the Committee are given to understand, have therefore, now limited the schedule in this connection to two items only, namely, ghee, purely animal to be charged duty at the rate of Rs. 17/- per cwt. and substitutes for ghee to be charged duty at the rate of Rs. 20/- per cwt. The latter item is to include both hardened fish oils already dutiable at Rs. 20/- and vegetable ghee which was till now dutiable at Rs. 10/- per cwt.

The Committee have to point out that this increase in import duty, which amounts to 100%, is likely to place Indian vegetable ghee manufacturers exporting their product to Ceylon to considerable disadvantage. This increase in the import duty on vegetable ghee is bound to prove prohibitive and serve practically to stop imports of this article into Ceylon. The latter country, it need hardly be pointed out, is exporting a number of articles to India which enjoy preference in the Indian market. The Indian vegetable product manufacturers, therefore, it is felt can take reasonable exception to the present action of the Government of Ceylon in increasing the Import duty on vegetable product to a level which is bound to prove prohibitive and therefore prejudicial to the interests of Indian manufacturers. The Committee would mention here that the vegetable ghee manufacturing industry has been only recently developed in the country. Though India will provide a large internal market for vegetable product, it will take some time before the public in the country take to this article and the internal market becomes sufficiently developed. The loss of an important neighbouring export market like Ceylon, at this stage will, therefore, considerably handicap the indigenous industry.

The Committee would further point out that the vegetable products manufactured in India are all made from sweet oil, while those imported from countries outside India mainly consist of hardened fish oil. India was, therefore, hitherto enjoying a preference in this respect which will be denied to her under the increased duties. The Committee would further point out that the price of vegetable ghee for consumption in Ceylon would be made prohibitive by imposing such a high import duty. The value of a cheap cooking medium for the benefit of the middle class and the poorer section has been recognised on all hands. The only objection which has so far been raised against it is that those who want to consume pure ghee should be safeguarded

against adulteration. Suitable measures however can be adopted for that purpose. It will, therefore be, the Committee feel, in the interest of the middle class and poorer section (who form by far a majority of the public) in Ceylon, if the duty is reduced to its original level and they are allowed to get a substitute for ghee at a cheap rate.

The Committee of the Chamber have, therefore, to request the Government of India to represent the matter to the Government of Ceylon so that the import duty on vegetable products may be reduced to its original level. In view of the importance of the question to the indigenous industry the Committee trust that the matter will receive early consideration of the Government.

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#### EXTENSION OF THE INTERNATIONAL SUGAR AGREEMENT, 1937.

Letter No. 8 dated the 2nd January, 1942, from the Chamber to the Government of Bengal.

#### *Subject : Extension of the International Sugar Agreement, 1937.*

I am directed to acknowledge the receipt of your Memo No. 5188(3)Com. dated the 22nd December, enclosing a copy of Government of India's letter No. 281 (1)-Tr. (I.E.R.)/41 on the above subject and to thank you for the same. The Committee desire to place before you their views as under for your consideration and transmission to the Government of India.

The Committee have always opposed the terms of the Agreement ever since it was first mooted, as manifestly unfair and harmful to Indian Sugar interests. The Agreement was entered into behind the back of and in the face of strong opposition from the Sugar interests of the Country and was ratified by the Government of India in total disregard of Indian public opinion. The Central Legislative Assembly itself voted against the ratification. Even after the ratification of the Agreement by the Government of India, public opinion has been strongly critical and consistently opposing it.

The Committee are surprised at the recommendation made by the International Sugar Council at London to the contracting Governments for the continuation of the Agreement for the duration of the war and one clear quota year after it or for two years, whichever is less. Needless to say, the Committee of the Chamber are strongly opposed to this recommendation so far as India is concerned and desire to request the Government of India to formally terminate the Agreement forthwith.

In view of the fact that most of the signatories to the Agreement are now belligerent countries, some having merged

with other countries and gone out of existence while others having become enemy countries, legally the Agreement can have no existence and factually it cannot be enforced except on subject countries. Even Dominion countries like Australia have openly shown disregard for the Agreement.

The sole object of the Agreement was to establish and maintain 'an orderly relationship between the supply and demand for sugar' in a super-saturated world market of 1937. This problem has ceased to exist in the cataclysm of the war to-day. With the overrunning of the Ukraine fields by the Nazis, with the 'scorched-earth' policy Java intends pursuing and with Belgium and Czechoslovakia under the Nazi domination, it is evident indeed that the world is facing a serious threat of sugar famine. Great Britain herself is forced to pursue a drastic rationing of sugar. Java's inability to continue supplies to Ceylon, Afghanistan, Iraq, Iran etc., is a menacing threat that these consumers face. It, therefore appears to the Committee that in the present circumstances to limit the export of India's Sugar to Burma by binding her down to this inequitable Agreement would prove definitely harmful both to the sugar consuming countries as a whole and the Indian sugar interests.

The problem of price factor of Indian sugar has also ceased to exist. In the present conditions, India can and will compete favourably in the foreign markets where prices have risen considerably of late. One of the main reasons for non-competitive prices of sugar that existed in India before, was restriction on production consequent on ban on export. If India gets over this difficulty, the cost of production will be reduced considerably.

It must also be readily conceded that of late there has been a phenomenal rise in the production of sugar in India and the excess of production over consumption in India would, it is estimated, exceed 4 lac tons. The present policy restricting her export out-let therefore involves the industry in a serious wastage of plant and capital.

The Committee are informed that several enquiries are being received from neighbouring countries who are said to be starving for sugar. India has large export resources and can supply with advantage at prices prevalent in those countries. It would be an egregious blunder in the face of these facts to bind India down to the Agreement and let her resources go waste while neighbouring countries starve. On the other hand, the Committee feel that the duty of the Government of India is to encourage the largest production of sugar at the cheapest cost so that as many starving markets as possible may be fed.

In this connection the Committee desire to draw the attention of the Government of India to the fact that the continuance of the Agreement adversely affects the Commonwealth war



effort, unconsciously though, in that the Colonies and the Dominions are forced to import their requirements of sugar from non-sterling countries as much as possible, when India herself could meet these requirements to a large extent.

While the Committee are not aware of the precise reasons that led the International Sugar Council to recommend the continuation of the Agreement, they presume that the Council is guided by the thought of the post-war world and the desire to ensure that on termination of hostilities, the industry will, under the Agreement, readily be able to resume economic control at the point "where it left off instead of being faced with prospects of unbalanced ration of supply and demand." This argument in favour of the agreement is obviously puerile in the face of facts stated above. It is premature yet to envisage the problems of the industry in the post-war world. Conditions to-day differ in toto from those existing at the time of entering into the Agreement.

The Committee, therefore, urge with all the emphasis at their command that the Government of India should proceed forthwith to formally terminate the Agreement.

It is hoped that the Committee's views will receive your immediate favourable consideration.

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**ISSUE OF DELIVERY ORDERS FOR INWARD CARGO AGAINST BANK'S  
OR ANY OTHER LETTER OF GUARANTEE.**

Letter No. 1460 dated the 7th July, 1941, from the Chamber to the Calcutta Agents, The American President Lines Ltd., Calcutta.

The attention of the Committee of this Chamber has been drawn to the fact that you have notified some of the importers that on and after the 15th July, 1941, you will be unable to issue delivery orders for inward cargoes against bank's or any other form of letter of guarantee in lieu of production of original bills of lading. The Committee learn that this would place the importers in a very difficult position. They would point out that in uncertain times like the present, it takes a long time for the documents to reach the importer and very often the documents are received long after the vessels carrying the goods arrive. The importers, however, can arrange at present to take delivery of the goods through the bank's or any other form of guarantee. This obviates the necessity to pay unnecessary demurrage charges and allows them to inspect the goods before the insurance time limit expires. Moreover, very often the goods are required urgently and the importer can arrange to take delivery of the

same through the guarantee system even by paying some extra charges. If the facility of delivery against bank's or any other letter of guarantee in lieu of production of original bills of lading is refused, it will place the importers in a difficult situation. The Committee are not aware as to the reasons why you have considered it proper to issue such instructions, but they would point out that to their knowledge no other shipping lines have laid down such a restriction on delivery orders and they do not see why the American President Lines should deny this facility to importers especially at the present time.

The Committee would be glad, therefore, if you will kindly reconsider the matter and continue to issue delivery orders against bank's or any other form of letter of guarantee as hitherto done.

An early reply will oblige.

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*Copy of a letter dated the 15th July, 1941, from the American President Lines Ltd., Calcutta, to the Chamber.*

Letters of Guarantee in lieu of Original Through  
Bill of Lading.

With further reference to our letter of 10th instant we are now pleased to advise that we have received a cable from our Principals in Singapore advising us that their previous instructions in the above connection have been rescinded.

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## **PUBLIC AFFAIRS.**

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### **PRICE CONTROL CONFERENCE.**

Letter No. 2023 dated the 9th October, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to refer to your letter No. 219-SR.Camp dated the 24th September, 1941 informing the Chamber that the Government of India have decided to convene a conference at New Delhi on the 16th instant to discuss the question of price control and asking for the views of the Chamber "on the subject of the control of prices at the primary wholesale stage generally, and with

special reference to the commodities mentioned' namely piece-goods, cotton yarn and foodgrains and have to submit their views as below.

The Government have referred in their communication to "the problem of rising prices", particularly in respect of food-grains, cotton yarn and piece-goods. While the Committee appreciate the anxiety of the Government to take measures to safeguard the interests of the public against an undue rise in prices, they would like to emphasise that before taking any control measures, the Government should thoroughly examine the causes underlying the rise in prices. The problem of rise in prices is not an isolated factor and must be considered in relation to the various other economic factors operating at the moment. Taking the question of cotton yarn and piecegoods, for example, the Committee would invite your attention to their letter addressed to you only last week on the question of the shortage of these goods in the country. In their letter No. 1994 of the 3rd instant, the Committee have dealt in detail with the number of factors which have contributed to bring about the present position so far as the supplies of yarn and cloth are concerned. The large demand for Indian cotton piecegoods not only on the part of the Government of India for defence services but also from other Eastern Group countries and neighbouring markets such as Straits Settlements, Afghanistan and Iran, in addition to the increased demand in the internal market owing to reduction in imports from the U. K. and Japan has led to the present shortage of these goods. The necessities arising out of the war and the country's normal demand, therefore, require that more goods should be produced and the Committee had accordingly requested the Government in that communication to adopt measures to facilitate increase in production as much as possible even by making the mills work all twenty-four hours and all days of the week. The Committee had suggested in this connection that while on the one hand, the Government of India should readjust the specifications of the cloth, which they required, to short and medium staple manufactures, they should also assist in the increased consumption of short staple cotton by Indian mills by facilitating the import of more preparatory machines and other machine parts required for changing the production from medium and finer counts to coarse counts. The adoption of these measures would not only provide great relief to the Indian cultivator by making it possible for mills in this country to consume increased quantities of Indian cotton but would also relieve the position in the market thus automatically keeping down prices. The Committee would like to emphasise that at least so far as cotton yarn and piecegoods are concerned, the country's requirement at present is to enable more goods to be produced which is certainly possible in this case provided the Government adopt proper measures. If, instead of doing that, the Government control prices, there will be a great risk of production being reduced whereas the problem before the Govern-

ment is to find increased supplies. The Committee are, therefore, definitely of the opinion that instead of taking measures to control prices, the Government should first assist in increasing the production of cotton piece-goods in the country as suggested above. The Committee venture to submit that their suggestion would be beneficial to all interests concerned including the Government, without the latter having to resort to control of prices which may adversely affect the interests of one section or the other.

So far as piecegoods of finer counts are concerned, these are either exported to foreign markets or used in the country by a class of consumers who may afford to pay slightly higher prices. The rise in the prices of these varieties does not materially affect either the Government or the masses in the country. The Committee, therefore, see no point in the Government of India preventing the Indian manufacturer from taking legitimate advantage of the increased demand for finer count goods. It may be pointed out that in their Notification No. 20—War of the 8th September, 1939 dealing with price control, the Government of India had themselves recognised that price control measures may be confined only to “the cheaper qualities of cotton cloth”, and as regards these, if Indian mills are encouraged to manufacture coarse qualities by using short staple Indian cotton, as suggested above, the price of the “popular sorts”, that is, the qualities mostly used by the masses, will automatically come down.

With regard to foodgrains also, it may be pointed out that there is a considerable shortage of supplies so far as some of the principal commodities are concerned partly owing to crop-failures in some cases and partly on account of the heavy purchases by the Government for defence services. The Committee do not consider it at all desirable that the prices of agricultural products may be controlled at the present stage by the Government. The ‘Kharif’ crop, namely paddy, maize, bajra etc., have only recently been harvested in some areas and the cultivators still hold large stocks of these commodities. It is true that the ‘Rabi’ crops namely wheat, gram etc., will be harvested after some time but it does not stand to reason that the Government should frequently interfere with the course of prices. If the Government control the prices now, the stocks that now lie with the cultivators will fetch a lower price and the cultivators will not get a proper price when their crops are harvested after April. As the Committee have already pointed out, the main problem is the problem of shortage and they are doubtful whether it is desirable for the Government to put up artificial restrictions instead of finding out ways and means to increase supplies.

Before concluding, the Committee would like to make some general observations on the question of price control. The Committee would like to point out to the fundamental economic proposition that heavy taxation and high prices go together. It

would be very unfair to the mercantile community if the Government levied heavy taxation on the one hand and tried to curb the consequent tendency towards higher prices by imposing control of prices on the other. The Committee do not want to reiterate here in detail the various factors which should be kept in view while considering the question of price control. As they had pointed out at the time when this question came up before the Government just after the outbreak of the War, India has still to make considerable progress in the matter of industrialisation, and a policy of control of prices might adversely affect India's growing industries. The question of postwar slump and postwar requirements has also to be borne in mind. It is well known that Indian industries were hardly able to recover from the effects of the great depression in the Thirties, when the war broke out and it is essential that they should now be able to build up some reserves in order to meet not only the inevitable postwar slump but also the extra expenses which they may have to incur for replacing machinery which is at present being used on double or multiple shifts.

Having in view all these considerations, the Committee feel that it would not be desirable for the Government to intervene at this stage and control prices. The Committee feel that if the Government wants to control the tendency of prices to rise, they should, on the one hand, reduce taxation and, on the other, take steps for increasing the supply of goods instead of adopting restrictive measures of price control.

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#### FIXATION OF MAXIMUM PRICES OF WHEAT IN THE U. P. WHEAT MARKETS PARTICULARLY AT HAPUR.

Letter No. 1866 dated the 11th September, 1941, from the Chamber to the Government of the United Provinces.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the serious situation which has developed following the fixation of the maximum price of wheat in the U. P. wheat markets particularly at Hapur. The Committee understand that while your Government have fixed maximum selling price of wheat, the prices at other important centres outside the province have not been controlled with the result that a great disparity has arisen between the official price of wheat prevailing at Hapur and the market price of wheat in other important centres in the country. I am giving below for ready reference, the prices of wheat at different centres

in the country before and after the fixation of maximum price by your Government for Hapur wheat.

PRICE OF WHEAT AT DIFFERENT CENTRES.

Name of centre.	Pre-control prices.	Prices subsequent; to fixation of price for Hapur wheat.
Hapur ...	Rs. 4/2/- per md.	Rs. 4/-/- per md.
Amritsar ...	„ 4/-/- „	„ 4/6/- „
Calcutta ...	„ 5/4/- „	„ 5/9/- „
Bombay ...	„ 4/15/- „	„ 5/5/- „
Karachi ...	„ 39/4/- (per 8 mds.)	„ 41/4/- (per 8 mds.)

It will thus be seen that while the wholesale price of wheat is not allowed to go higher than Rs. 4/- per maund at Hapur it has risen appreciably everywhere else so much so that in the Punjab market, where it used to be 2 to 4 annas lower than Hapur, it is at present 5 to 6 annas higher. The anomaly thus created by fixing prices at some centres in U. P. leaving other important wheat producing centres themselves has been causing severe hardship to dealers who had bought wheat in the Hapur market before the fixation of the price at Rs. 4/- and who had entered into commitments to sell this quantity at other centres at those prices. For, in view of the rise in the price of wheat in all other markets, there are no sellers in the Hapur market and the Committee understand that the wheat trade at Hapur has practically been paralysed.

As a result of the general rise in the wheat market, the Government of Bengal, who are also controlling the maximum prices in this province, have raised the price of wheat by six annas per maund *i.e.*, from Rs. 5/2/- to Rs. 5/8/-. The Committee have, therefore, to request your Government also to kindly bring the price of wheat in the Hapur market in conformity with the prices at other centres. In fact, the Committee are strongly of the opinion that while controlling prices of particular commodities, it is desirable that the Provincial Governments should keep in view the repercussions of any isolated action in other centres and provinces in the country.

I am directed to express the hope that your Government will move immediately in the matter and would be good enough to let this office know as to the action taken by them in the matter.

## NECESSITY TO REVISE THE MAXIMUM SELLING RATE OF SALT.

Letter No. 179 dated the 28th January, 1941, from the Chamber to Mr. K. G. Morshed, I.C.S., Joint Secretary to the Government of Bengal and Chief Controller of Prices, Bengal.

I am directed to invite reference to this office letter No. 164 dated 19th January, 1940 regarding the maximum price of salt and to bring to your notice the following circumstances which, in the opinion of the Committee of this Chamber, necessitate an immediate revision of the selling rates of salt.

The Government of Bengal by their notification dated the 29th September, 1939 fixed the price of salt at Rs. 107/- ex-ship per 100 maunds. This price was subsequently reduced to Rs. 98/- by the Notification dated 16th October, 1939, the freight rate at that time being Rs. 15/- per ton, *i.e.*, Rs. 55/- per 100 maunds. Since then the freight rates have increased by Rs. 7/- per ton (or about Rs. 26/- per 100 Bengal maunds) to Rs. 22/- per ton (about Rs. 81/- per 100 maunds) which is the freight fixed for an Aden Solar steamer, 'Noormahal' chartered recently for Calcutta. Owners are now demanding still higher rates than Rs. 22/-.

In the case of Aden and Western India Salt, War Risk Insurance has also risen from 2% to 5% and from  $\frac{1}{2}$ % to  $1\frac{1}{2}$ % respectively and we understand a further charge of  $\frac{1}{4}$ % has been levied on all cargoes from Aden from the 1st September, 1940.

As freight constitutes the major portion of the replacement expenses and as insurance rates have gone up a compensatory increase in the control rate of ex-ship salt is necessitated and the price of golah should be correspondingly fixed at least Rs. 11/- higher than the ex-ship price. The following items make up the expense of Rs. 11/-.

*Estimate of Golah Expenses.*

	Per 100 mds.		
	Rs. A P.		
Customs Overtime, Golah lease, Bird & Co.'s export charge & weighing charges ex-ship and ex-golah ... ..	0	12	9
Boating to golahs at Rs. 20/- per 1000 mds. ...	2	0	0
Birds & Co.'s handling charges at Rs. 26/- per 1000 mds. less 10% ... ..	2	5	5
Golah Rent at Rs. 4-4-0 per 1000 mds. per month for six months ... ..	2	3	4
	7	5	6

Value of quantity wasted in golah estimated at 2 percent average (value ex-ship at Rs. 98/-).	1	15	3
Loss of Toll charges on wasted quantity of 2 per cent recoverable from buyers ...	...	0	1 9
Interest at 3 per cent on locked up investment for six months ...	...	1	7 6
		<u>3</u>	<u>8 6</u>

*Total expenses Rs. 10-14-0.*

We further beg to point out that unless the control rate is now raised commensurate with the rise in freight and insurance charges, it would aggravate the present serious position of very low golah stocks at Calcutta which now amount to under 16 lac maunds or 58,700 tons representing hardly  $1\frac{1}{2}$  months' consumption. This has to be considered in relation to the crisis in the Far East which may precipitate war with Japan at any moment with the result that shipping in the Indian waters would be paralysed.

We would, therefore, pray that the ex-ship and ex-golah prices be raised as stated herein and that all salts whether Indian, Aden or foreign should be subject to control and brought under the maximum rate. The Committee would further point out that it is not reasonable that while the rates of the controlled salts have been fixed, some other qualities have been entirely exempted. As will be perceived, this position is bound to prove considerably detrimental to the controlled qualities for if the freight rate is further increased and there has been practically a continuous rise, charters of steamers could be made by the exempted salt manufacturers at enhanced rates while the manufacturers of controlled salts would not be able to do so unless the prices are raised to a proportionately higher level.

The Committee are therefore strongly of the opinion that the maximum price of ex-golah and ex-ship be fixed in consonance with the rise in freight and insurance charges which have taken place since the maximum rate was last controlled at Rs. 98/- on 16th October, 1939 and that all salts including Indian, Aden and foreign should be controlled without discrimination. The Committee trust the suggestions made herein will receive your careful and immediate consideration.



Letter No. 220 dated the 3rd February, 1941, from the Chamber to Mr. K. G. Morshed, I.C.S., Joint Secretary to the Government of Bengal and Chief Controller of Prices, Bengal.

I am directed to invite reference to the Government of Bengal press note dated the 29th January, 1941 fixing the maximum price for Aden and Indian salts (including Kutch and Grax Salts) at Rs. 110/- per 100 maunds ex-ship and at Rs. 115/- per 100 maunds ex-golah. The Committee regret to note that the difference between the ex-ship and the ex-golah prices has been fixed at Rs. 5/- only. In their representation dated the 28th January, 1941 the Committee had given figures showing that price of golah should be fixed atleast Rs. 11/- higher than the ex-ship price. They would emphasise that the difference of Rs. 11/- between ex-ship and ex-golah has been estimated on a conservative basis and they feel it is essential that the same should be allowed.

The Committee would further point out that the maximum price fixed at Rs. 110/- is also inadequate and that since the representation referred to above was made by the Chamber, freight rates have further gone up and the Committee understand that steamer owners are now demanding Rs. 24/- per ton equivalent to Rs. 88/- per 100 maunds. In view of this, the Committee feel that the maximum price of Rs. 110/- is not sufficient to ensure adequate stocks of salt being maintained for consumption in the province. The Committee therefore, feel that the maximum price should be further increased.

The Committee further regret to note that foreign salts have not been controlled. In their previous representation the Committee of the Chamber had definitely suggested that all salts including Indian, Aden and foreign should be controlled without discrimination. The Committee of the Chamber are not aware as to the reasons why the Government have excluded foreign salts from the controlled rate but they would point out that if, for example, Italian Somaliland falls into British hands, and it is expected it will in a short time, large quantities of foreign salts would at once be dumped in the Indian market ruining the industry. In the circumstances, the Committee would insist that there should be no discrimination in favour of foreign salts against the controlled salts. It will only be fair, therefore, if foreign salts are also included in the controlled rate.

In view of the importance of the matter, the Committee trust the suggestions made above would receive your immediate attention.

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MAXIMUM PRICES FOR CONTROLLED MEDICINES AND EUROPEAN  
FIRMS BEING ALLOWED TO CHARGE 10% EXTRA.

Letter No. 1632 dated the 29th July, 1941, from the Chamber to  
the Chief Controller of Prices, Bengal.

The attention of the Committee of the Indian Chamber of Commerce, Calcutta, has been invited to the "consolidated list of maximum prices for medicines as found in Press Notes, published upto 21st March, 1941" issued under your signature. The list contains the names of controlled medicines and medical supplies along with the prices fixed for each item and is required to be displayed in all shops under "Section 132 of the Defence of India Rules". The Committee are, however, surprised to find a note printed at the end of the list to the effect that "European firms may charge 10% extra". The Committee have not been able to appreciate the reasons for the Government of Bengal adopting such discrimination in the matter of price fixation under the price control scheme between European firms *as such* and Indian firms. Apart from the merits of the case, the Committee strongly feel that such definitely racial discrimination as between one class of firms and another is highly objectionable in principle. The Committee are of the opinion that such discrimination is also ultra vires of the Government of India Act, 1935. You will appreciate that in any case, such specific discrimination is very undesirable and objectionable and the Committee would, therefore, request you to withdraw the note from the list referred to above in order to remove any cause for grievance.

An early reply will oblige.

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*Copy of letter No. 11691-P.C. dated the 30th July, 1941, from  
the Assistant Controller of Prices, Bengal,  
to the Chamber.*

With reference to your letter No. 1632 dated the 29th July, 1941, regarding sanction of 10% extra for European retail firms, I have the honour to say that this was done on the recommendation of the Advisory Committee in which a representative of your chamber was present. This was done a little more than a year and a half ago and is working well. The considerably heavy establishment charge of the European retail dealers of medicines necessitated such an extra charge being made by them from very long past and it was found that to deprive them of this extra charge would be to force them to close down their business in these lines. This arrangement has not been objected to by the Indian dealers themselves as it must have led to a diversion of

business to some extent from the European to the Indian side. At least a small class of customers that had been unknowingly paying the extra charge, since long has come over to the Indian dealers when it was published that there was the difference of 10% in the prices under Government orders.

This question was some-time ago raised by the Bengal National Chamber of Commerce and reply on these lines satisfied the Chamber and I trust this will satisfy your Chamber also. There was absolutely no question of any racial discrimination in this small matter.

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Letter No. 2044 dated the 11th October, 1941, from the Chamber to the Chief Controller of Prices, Bengal.

I am directed to refer to the correspondence resting with your department letter No. 11691-P.C. dated the 30th July, 1941, in reply to my letter No. 1632 dated the 29th July, 1941, on the subject of allowance of 10% extra to European firms over the maximum prices fixed by the Government in respect of certain medicines. You have been pleased to state in your letter under reference that "this was done on the recommendation of the Price Control Advisory Committee in which a representative of this Chamber was present". The Committee, however, learn from Mr. D. P. Khaitan who represents this Chamber on the Price Control Advisory Committee and who was present in that meeting that he had actually opposed the proposal along with others to allow 10% extra to European firms over the maximum prices. The Committee note that "this was done a little more than a year and half ago", and that "this arrangement has not been objected to by the Indian dealers themselves". But they would like to point out that their objection to the note printed at the end of the "consolidated list of maximum prices for medicines" was based on a question of principle irrespective of the fact whether it leads "to a diversion of business from the European to the Indian side". Although the Committee have noted the explanation which you have given in your letter about the note and although they realise the circumstances under which the department agreed to this arrangement, they feel that the continuance of a note on the printed list that "European firms may charge 10% extra" is objectionable in principle as having been based upon no other than racial grounds. The Committee do not agree that it is a "small matter" and they trust that you will kindly reconsider the matter and withdraw the note from the consolidated list of maximum prices for medicines.

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## MAXIMUM PRICES OF MATCHES.

Letter No. 2026 dated the 9th October, 1941, from the Chamber to the Chief Controller of Prices, Bengal.

*Maximum prices of Matches.*

I am directed by the Committee of the Chamber to bring to your notice the hardship caused to match manufacturers as a result of the maximum prices of matches fixed at present. The Committee would like to point out that since the fixation of maximum prices of matches in last March, the cost of production has steadily gone up with the result that their present control prices do not correspond to their increased cost of production. To mention only a few instances of a rise in the prices of principal ingredients (1) chlorate of potash which was Rs. 150/- per Cwt. two months ago is now being quoted at Rs. 260/- (2) Amorphous phosphorous which was priced at Rs. 275/- per case is now quoted at Rs. 500/-. While the prewar sale price of matches used to give the manufacturers a margin of profit of -/3/- to -/4/- per gross the present prices do not leave them even a margin of -/1/-.

The Committee appreciate that the control prices of matches are designed to check 'profiteering' but it may be pointed out that the present maximum limits are cutting into the legitimate profits of manufacturers and with the rising cost of production may actually involve them in losses, if they have not already done so.

The Committee would also like to point out that the fixation of uniform prices all over Bengal does not take into account the cost of transportation etc., which varies with the distance of the factories from the market where they are sold. In Bengal for instance, the factories are all situated round about Calcutta and the fixed prices do not leave any margin to cover these extra costs.

The Government will appreciate that there is no justification for maintaining the past basis for control of prices with regard to matches in view of largely increased cost of production. The Committee would therefore urge that the maximum prices be raised without delay and suggest that an increase of the same to Rs. 5/13/- per gross will be a fair one for 80 sticks matches. While it will restore the old proportion of whole-sale to retail price, no particular disadvantage will be caused to the consumer. The Committee trust that this representation would receive your early consideration.

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## MAXIMUM PRICES OF GUNNIES EXPORTED TO U. S. A.

Letter No. 2085 dated the 18th October, 1941, from the Chamber to the Government of India, Department of Commerce.

The Committee of the Indian Chamber of Commerce, Calcutta, are informed that the question of the fixation of maximum prices for gunnies for export to the United States of America is under the consideration of the Government. It is understood that owing to the alleged rise in prices of "spot" Burlap (Hessian) in New York, and in the interests of industry and the ultimate consumer, there the Government of the U. S. A. have fixed maximum prices for the sale of Hessian in that country with effect from the 16th August, 1941. The schedule of the maximum, or the "Ceiling", prices fixed by the U. S. A. Government is in two parts, one set of prices being fixed for deliveries made between the period from 16th August to 31st December, 1941, and the other for deliveries made on or after the 1st January, 1942. The maximum prices for the latter period have been fixed at 5% lower than those fixed for the earlier period. It may also be pointed out that the prices fixed in America only relate to sales made in that country and do not apply to the prices which importers in that country may pay to Calcutta suppliers or to hessian directly imported by firms in U. S. A. for their own consumption which forms the major portion of the imports.

The Committee of the Chamber understand that the Government of India have now taken up the question and are considering whether maximum prices may not be fixed in India for gunnies exported to the U. S. A., in order to afford help to the American Government in their endeavour to control gunny prices in that country. I am, however, directed to state that the Committee are strongly opposed to such a step being taken by the Government of India. While the Committee have nothing to say against the action taken by the American Government to control the prices of Burlap in their country in the interests of American industries and the ultimate consumer there, they do not see any reason why the Government of India should come forward with a move to fix maximum prices of an export commodity in this country for the benefit of American buyers. The Committee are opposed in principle to permitting the Government of another country to influence prices of export commodities in this country. It will be appreciated that if the Government of any foreign country fixed maximum prices for the sale of a particular commodity within its territory, it will be in the interests of the trade in the exporting country to see that the prices do not rise to a level at which the export market concerned may be lost. The Committee may point out in this connection that the maximum prices fixed by the American Government for the period ending 31st December, 1941, were approximately 15% above the prices prevalent in the Calcutta market immediately before such fixation.

It may also be pointed out that whereas American 'Ceiling' prices for the period after 1st January, 1942, are about Rs. 20/12/- per 100 yds., the present rates in the Calcutta market for delivery during January—March, 1942, are only Rs. 18/4/-. The Committee, therefore, do not see why the Government of India should consider the fixing of maximum prices for gunnies when the export prices in this country are still considerably lower than the 'ceiling' prices fixed by the American Government. The Committee may also point out that as the American Government have themselves admitted in their circular, their action in fixing maximum prices is not mainly due to higher prices in the Calcutta market but to "a wholly unjustified increase in the margin between what importers pay for Burlap and what they sell it for". The question of the Government of India "helping the American Government in their endeavours to control the gunny prices in that country" does not, therefore, arise at all.

If any action is taken in this country to fix maximum prices for gunnies, it is bound to raise the question of the fixing of a maximum limit for raw jute prices also. Unless the industry is assured of ample supplies of jute at prices which would be in line with and which would enable the industry to manufacture gunnies for export at the fixed prices, it is obvious that export of gunnies to America will not be possible. It would, therefore, be seen that any action which may be taken to fix maximum prices for hessian will have very detrimental effect on the interests of the large mass of jute growers in this province, by making it necessary for maximum prices of raw jute to be fixed also.

In view of the observations made above, the Committee of the Chamber are strongly of the opinion that the fixation of maximum prices for hessian at present is not only not justified by the circumstances and is uncalled for but would also be detrimental to the interests of the trade as also to the growers. Moreover, as the Committee have pointed out above, they are also opposed in principle to the Government taking any action to fix the prices of an export commodity in the interests of the Government or the trade of another country and at the cost of the indigenous manufacturer and producer. The Committee, therefore, trust that the Government of India will not take any such action.

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**PRICES ALLOWED BY THE GOVERNMENT FOR VARIOUS SIZES OF  
COPPER RODS REQUISITIONED.**

*Copy of letter No. CS/6/4675 dated the 7th January, 1941, from  
the Controller of Supplies, Bengal Circle,  
to the Chamber.*

Would you please refer to your letter No. 3707 of the 23rd November, 1940\*, to the Secretary, Department of Supply,

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\*Please refer to page No. 261 of the Report for the year 1940.

Government of India, New Delhi. I would be glad to discuss the matter under reference at your earliest convenience.

Would you kindly suggest a suitable date and indicate the names of the gentlemen who will be present at the discussion.

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DIFFICULTIES EXPERIENCED BY FACTORIES IN OBTAINING  
RAW MATERIALS.

Letter No. 1475, dated the 8th/9th July, 1941, from the Chamber to the Director General of Munitions Production, Calcutta.

I am directed by the Committee of the Indian Chamber of Commerce to address you in connection with the Mantry Machinery Factory Limited, 8, Royal Exchange Place, Calcutta and the difficulties which they are experiencing in obtaining raw materials for their factory. The Committee understand that the factory possesses up-to-date machinery for the production of various sizes of bolts, nuts and rivets on a large scale but on account of the difficulty of getting raw material, they are unable to utilise their capacity fully and had even to stop their production for a month and a half.

The Committee further understand that the Government of India purchase sufficient quantities of the above articles and even though the factory has also got a few small orders from the Government, the difficulties about getting raw materials pointed out above have placed the Mantry Machinery Factory in a position in which they are unable to quote against Government enquiries or submit any samples for want of raw materials. The market prices of some of the raw materials which they require are also very high and it is not practicable for them to buy and stock these articles at such high prices and to compete successfully for Government orders. In the absence of raw materials, therefore, the factory has no other alternative but to close down. The Committee feel that it would be regrettable if at a time like this when engineering production is in great demand and when engineering works should be encouraged to establish themselves, an up-to-date factory which has been inspected and found satisfactory and registered with the Indian Stores Department may be forced to close down in this manner. The Committee understand that the firm has requested you to grant an interview to their representative in order to place the whole matter before you.

The Committee have to request you to kindly look into the matter and take the necessary action to see that the factory is able to secure raw materials and render assistance in Government supplies also.

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IMPORTS RESTRICTIONS.

Letter No. 1479 dated the 8th/9th July, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to invite reference to the Government of India Notification No. 40-ITC/41 adding certain items to the schedule to the Government of India Notification No. 1 ITC/40 dated the 20th May which imposed certain restrictions on imports. The Committee appreciate that such import restrictions may be desirable in order to conserve Exchange resources. They, however, feel that before placing articles under the import restrictions scheme, the Government might usefully consult the commercial bodies about the position with regard to those articles. As the Government may be aware, many imported articles are used in the process of manufacture by Indian industries and when supplies of the same are suddenly stopped, the industries are placed to considerable handicap and inconvenience.

The Committee would further suggest that it should be seen that bonafide manufacturers who require to import certain articles for their manufacturing processes do get licences for importing the same under the restrictions scheme. It often happens that certain middlemen who get the licences, import the articles and stock them in their godown with a view to take advantage of the increase in prices, which they expect to take place later on while the manufacturers suffer on account of the difficulty to obtain supplies of the same.

The Committee trust their suggestion would be found acceptable by the Government.

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*Copy of a letter No. 368(77)I.T.C./40 dated the 18th August, 1941, from the Government of India, Department of Commerce, to the Chamber.*

With reference to your letter No. 1479 dated the 8th/9th July, 1941, I am directed to say that the Government of India regret that it is not possible to make the prior consultation suggested but as your Chamber is aware the Government of India are always prepared to consider representations made by commercial bodies. As regards your suggestion that bonafide manufacturers should be granted licences to import articles required for their manufacturing processes, I am to invite your attention to Press Note published on 17th June 1941, and to add that the Chief Controller (Imports), New Delhi, will carefully bear in mind the suggestion you make.

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Letter No. 153 dated the 22nd January, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to refer to the Department of Commerce Notification No. 23-I.P.C./41, dated the 3rd January, 1941, regarding restrictions on the import into India of aluminium, unwrought and manufactured, except under a license. It is stated therein that the notification will not apply to goods which have been despatched on through consignments to India before the 10th January 1941. The Committee of the Chamber would, however, submit that the exemption should apply to all goods ordered, whether actually despatched or not before the date of the issue of this notification *i.e.*, the 3rd January 1941. The Committee need not emphasise the desirability of Government according to their request as it is only fair that transactions entered into before the restriction on imports came into force, should be exempted from such restriction. The Committee further understand that some of the importers have ordered shipments from Japan before that date. As the Government would appreciate, Japan is not a difficult currency country like the U. S. A. and moreover if more stocks of aluminium arrive from Japan, it will only be beneficial to the country as aluminium is an important article even for war purposes. The Committee would, therefore, request the Government to kindly amend the notification so as to exempt from its purview goods already on order on the 3rd January 1941.

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Letter No. 1412 dated the 25th June, 1941, from the Chamber to the Foreign Trade Controller (Imports), Calcutta

The attention of the Committee of this Chamber has been drawn to the application made by Messrs. Calcutta Chemical Co. Ltd., to you for an import licence for waxed parchment paper. The Committee understand that the firm had been importing this kind of paper for packing purposes from England in appreciable quantities. Recently, however, when they placed an order with a firm in England for the same, the latter regretted their inability to supply the order owing to the restriction imposed in the U. K. on the export of paper. The firm in England, however, expressed their readiness to send the required quantity of paper from Canada. The Committee understand that the firm has, however, been refused a licence to import the article from Canada on the ground that evidence of import of the article in previous years from the same country is required. The Committee would point out that in such cases where imports of the article have been stopped either because the exporting country has been declared an enemy country, or because the Government of the exporting country has prohibited the exports of the article, the importer has necessarily to find an alternative source of supply.

If he is, however, required to produce evidence of imports in previous years, it would naturally be impossible for him to do so. Importers, especially of essential articles like waxed parchment paper, which is required by soap manufacturers for wrapping soap in order to prevent moisture, would consequently be placed to considerable hardship. The Committee would be glad, therefore, if you will kindly reconsider the matter and issue the necessary import licence to this firm for waxed parchment paper. An early reply will oblige.

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#### ISSUE OF PRIORITY RELEASE CERTIFICATES BY THE BRITISH PURCHASING COMMISSION.

Letter No. 1364 dated the 18th June, 1941, from the chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the procedure laid down by the British Purchasing Commission in the U. S. A. for exports of articles from that country to Empire countries. As the Government may be aware, from the 1st June, 1941, export of all articles from U. S. A. covered by the unlimited licence numbers of the British Purchasing Commission require Release Certificate with each shipment to any country of the British Empire with certain exceptions. The Collectors of Customs have been informed by the Department of State in the U. S. A. that they are not to honour exports of any products against the unlimited licences issued by the Purchasing Commission unless the export declarations are accompanied by a prior Release Certificate issued by the office of the Commission. Among the Empire countries, exports to which have been exempted from this requirement are Great Britain and Northern Ireland, Canada, Newfoundland, Australia, New Zealand, Egypt, Palestine, Bahama, Barbados, Bermuda, Union of South Africa (including British South West Africa). The Committee regret to note that India is perhaps the only country of any importance in the Empire which is not included in the exceptions with the result that exports to this country from the U. S. A. are required to comply with the above procedure. Indian importers have therefore to apply to the British Purchasing Commission for a Release Certificate before the Collector of Customs at the Port of export concerned will allow shipment of the goods. Moreover, the British Purchasing Commission has further laid down that before they can issue the Release Certificate, it is imperative that the order placed by the Indian Importer is confirmed by cable by the Government of India with the British Purchasing Commission. It is obvious that this procedure will cause considerable delay and impede the free imports of essential articles from U. S. A. This restriction is bound to be prejudicial not only to the interests of Indian

importers but also of India's industries as India is mainly dependent at present upon U. S. A. for imports of essential articles like machinery. In fact complaints have already been received by the Chamber from more than one of its constituents regarding the difficulty experienced in getting even previously ordered goods from America owing to this restriction. The Committee understand that the Government of India have also not so far decided upon the procedure to be followed by them in entertaining applications from importers and cabling their confirmation to the British Purchasing Commission which delay is further causing great inconvenience to trade interests.

The Committee are, however, surprised to note that while practically no other part of the Empire is required to comply with this restriction, India alone is subjected to it. The Committee are not aware as to the reasons why this discrimination has been made against India and in view of the difficulties which Indian industries and trade are likely to experience on this account, the Committee urge the Government of India to take up the matter immediately with the British Purchasing Commission so that India may also be exempted from the procedure laid down like other Empire countries.

An early reply as to the steps proposed to be taken by the Government will oblige.

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Letter No. 1421 dated the 25th/26th June, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to invite reference to my letter No. 1364 dated the 18th June, 1941 regarding the procedure laid down by the British Purchasing Commission in U. S. A. for exports of articles from that country. The Committee had also addressed a letter in this connection to the Department of Supply requesting them to confirm the order placed by Messrs. Bhagat Singh Bugga & Co. (22, Canning Street, Calcutta) with an American firm for perforated copper sheets. The Committee have now been informed by the Department of Supply that the procedure for assisting firms to export stocks from the U. S. A. has not yet been decided upon but that if Messrs. Bhagat Singh Bugga & Co., desire to take immediate action, they should apply directly to the Secretary, Commerce Department. The Committee understand that Messrs. Bhagat Singh Bugga & Co., have already addressed a letter to you in the matter. As the articles are required urgently for certain sugar mills and unless the shipment is effected before the end of July, they will not be available for use in the next crushing season, the Committee would be glad if you will kindly take early steps to cable to the British Purchasing Commission in Washington to issue the necessary prior Release Certificates to the exporter for these consignments.

The Committee would also take this opportunity to point out that the procedure laid down by the British Purchasing Commission for exports of articles from the United States of America to Empire countries, from which India is perhaps the only country not to be exempted, will cause considerable delay and impede the free imports of essential articles from U. S. A. to this country. They would also reiterate that this restriction is bound to be prejudicial not only to the interests of Indian importers but also to Indian industries and they would, therefore, urge the Government of India to represent the matter to the British Purchasing Commission so that India may also be exempted from the procedure laid down by them.

The Committee would refer in this connection to the recent establishment by the Government of India of an Indian Purchasing Mission in America. It was stated in the press reports that this Mission "will undertake for the Government of India and in very close connection with the British Purchasing Commission the procurement of war supplies from America". The Committee would be glad to know whether the establishment of this Purchasing Mission will be able to help importers. I am directed to request you to kindly let me know in detail the functions of the Indian Purchasing Mission in U. S. A., its complete personnel and method of work. This information is required in order to enable the Chamber to advise importers, if necessary, of the assistance that they can obtain through this Mission.

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#### ISSUE OF PRIORITY CERTIFICATES FOR IMPORTS FROM U. S. A.

Letter No. 1557 dated the 16th/17th July, 1941, from the  
Chamber to the Government of India,  
Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite reference to the press note issued by the Commerce Department dated the 17th June, 1941 regarding proposed organisation for the issue of priority certificates for imports from the United States of America. The Committee note that the Government of India propose to set up a Central Organisation which would assess the merits of conflicting claims for assistance regarding priority certificates required to be issued by the Government of India for imports of non-ferrous metals, lubricating oils, machinery and tools etc., from the U. S. A. The Committee further note that a Chief Controller of Imports has already been appointed in this connection and that details of the procedure to be followed in applying for import licenses and priority will be announced later. The Committee of the Chamber are not aware as to what functions will be allotted to the proposed organisation. They would point out that U.S.A. is perhaps the only country from which a number of essential articles required by the country are at present obtainable. The

activities of this proposed organisation are, therefore, bound to affect widely the interests of Indian trade and commerce and the Committee would, therefore, request the Government to clarify the functions and powers of this Organisation as early as possible. The Committee would also like to know as to what relation the Chief Controller of Imports will have with the proposed Indian Purchasing Commission.

The Committee would further point out that exports from India to the United States have appreciably gone up and more imports may, therefore, be allowed from that country as there will be practically no difficulty about obtaining additional foreign exchange.

The Committee would be glad, therefore, if the Government will early clarify the functions and powers of the Chief Controller of Imports and of the proposed organisation.

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#### DELAY CAUSED ON ACCOUNT OF EXCHANGE AND IMPORT CONTROL.

Telegram dated the 29th October, 1941, from the Chamber to the Government of India, Department of Commerce.

*(Copy forwarded to Finance Department.)*

Committee Indian Chamber receiving numerous complaints of inordinate delay caused by Present Exchange and Import Control resulting frequently in considerable losses to parties concerned due to rise in prices abroad in long interval between making applications for exchange and Government granting same. No foreign exchange is allowed unless special license obtained from Import Trade Controllers or Chief Controller of Imports and even for goods covered by open General License Exchange Banks consider reference to Controller necessary. Present procedure therefore unduly dilatory and impeding War effort by unnecessary delay. Under Import Trade Control Articles are listed as parts A and B of comprehensive schedule and all machinery included in part B for which licenses are issued by Chief Controller at New Delhi only. Committee feel machinery item in itself too big to be handled with necessary promptness by one such officer with the staff at his disposal as applications from all over country for variety of requirements are to be dealt with and it is no fault of his that scrutiny of applications and granting of licenses are unduly delayed. At the other end United States Government are reported to be insisting on all purchases being made by open tenders within scope of Lease and Lend measure. Consequently Indian Importer cannot buy cheapest from manufacturer who may have specialised in particular kind of goods and may be manufacturing it on mass scale. Moreover considerable delay must inevitably occur where freedom is so circumscribed. Committee would therefore suggest that firstly decentralization of powers vested in Chief Controller of Imports highly essential so that applications for Import Licenses in

respect of machinery also may be dealt with by Import Trade Controllers. Otherwise even for small part omitted in license for main machinery application has to be made to Chief Controller at New Delhi and position explained to his satisfaction how the small part is related to main machinery. Such explanation to Import Trade Controller in Calcutta or Bombay would take only fraction of time taken under present procedure. Secondly arrangement with United States Government enabling purchases of machinery on Indian account to an agreed extent to be placed outside scope of Lease and Lend provisions highly desirable so that India's discretion in making purchases in manner advantageous to her might not be unduly fettered. Committee believe these suggestions if adopted will simplify procedure and avoid unnecessary delay in disposal of applications at this end and execution of orders at the other thereby also enabling Indian manufacturers to make maximum contribution to War effort. Committee therefore request early careful consideration.

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*Copy of a letter No. 392(14)-I.T.C./41 dated the 10th December, 1941, from the Government of India, Department of Commerce, to the Chamber.*

With reference to your telegram dated the 29th October 1941, I am directed to inform you that before bringing into force the Import Trade Control on machinery the Government of India considered very carefully whether it would be possible to effect licensing by officials stationed at the principal ports acting under a general code of instructions. It was, however, decided that it was not possible to license imports of heavy goods such as plant and machinery on the strict quota basis which has been effective in the case of manufactured articles and consumer's goods, but that each application must be examined by a single authority and dealt with in relation to position in the country as a whole. Accordingly the Government of India regret that they cannot agree to decentralisation of the powers of the Chief Controller of Imports in this matter.

2. With regard to the second point in your telegram I am directed to inform you that machinery imported through commercial channel is not to any appreciable extent affected by the Lease and Lend provisions at all.

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#### RESTRICTIONS ON EXPORT OF HARDWARE.

Letter No. 554 dated the 5th/7th March, 1941, from the Chamber to the Department of Supply, Bengal Circle, Calcutta.

I am directed to refer to the application dated the 18th February, 1941 made by Messrs. Purshottam Ramji of 12, Raja Woodmunt Street, Calcutta, to your department for export of 30 cases of hardware containing iron pad bolts to Singapore. The

Committee understand that the application has been refused though no reasons have been assigned for the same. The Committee would point out that the firm has been exporting these goods, that is, iron and brass tower bolts, pad bolts, iron shovels, butt hinges etc., to Straits Settlements and South Africa regularly since a long time and if their application to export the same is refused they would be put to considerable disadvantage and loss. The Committee would be glad if you will kindly enlighten them as to the reasons which have made your Department arrive at the decision not to allow them the desired permit to export.

An early reply will oblige.

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*Copy of a letter No. (E & I)/5278 dated the 19th April, 1941, from the Government of India, Department of Supply, Munitions Production Branch, Calcutta, to the Chamber.*

Subject:—Issue of License for export of prohibited articles.

I am directed to refer to your letter No. 793 of 9th April, 1941, on the subject of an application by Messrs. Purshottam Ramji for license to export a prohibited article.

I am to say that the position has been carefully reviewed in all its aspects and that present as well as potential requirements have been considered and I am to add that licenses to export prohibited articles are only issued when it is considered that the general supply position allows of it.

I am to add that the Government of India regret that they can not undertake to deal with representations by Chambers of Commerce about individual applications which may have been refused or accepted.

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Letter No. 950 dated the 1st May, 1941, from the Chamber to the Director General of Munitions Production,  
Department of Supply, Calcutta.

I am directed by the Committee of the Indian Chamber of Commerce to invite reference to your letter No. (EI)/5278 dated the 19th April, 1941 regarding issue of licence for export of certain articles. The Committee note that the position as regards export of iron pad bolts to Singapore has been carefully examined and that licences to export prohibited articles are issued only when it is considered that the general supply position allows the same.

The Committee have, however, to refer to the statement in the last para of your letter that the "Government cannot undertake to deal with representations by Chambers of Commerce about individual applications, which may have been refused or

accepted" and to say that they are unable to agree to this view. The Committee would point out that although all such complaints in the first instance are bound to be individual, it is often that these involve questions of principle or policy. The Committee believe that the Government certainly do not intend to suggest that representations referring to individual cases cannot be considered irrespective of whether matters of principle or policy are involved in it, simply because they are based on individual applications. Moreover, it is one of the most important functions of organisations like the Chambers of Commerce to help individual members if they experience any difficulty in their dealings with Government Departments or other public bodies. In fact, the assertion made in the last para of your letter amounts to denying to the commercial community the right to represent matters about the policy pursued by the Department of Supply regarding questions of supplies by which they are largely affected. The Committee are, therefore, not prepared to accept the position that matters arising from individual applications will not be discussed by the Government with Chambers of Commerce.

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#### SHORTAGE OF SHIPPING SPACE FOR COASTAL TRAFFIC.

Letter No. 769 dated the 4th April, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to draw your attention to the present serious position in the coastal trade of India, Burma and Ceylon as a result of scarcity of tonnage and dearth of shipping space. The Committee are informed that in the absence of adequate shipping tonnage being available for such coastal trade cargoes at different ports have to wait for several weeks before shipment with the result that normal trade between India, Burma and Ceylon and as between coastal ports in India itself has been adversely affected. For example, the Committee may refer to the imports of rice from Burma into India which forms one of the main items of the trade between the two countries. The normal imports of Burma rice into India come to about 15 lacs of tons per year while this year the imports would have been still larger owing to decrease in outturn of rice and failure of rice crops in several parts of India, in case necessary tonnage had been available. The outturn of rice in India during the current year is likely to show a decrease of 13.5 percent as compared with the average of the last three years. The yield of rice crops in Bengal during 1940-41 is likely to be about 23 lac tons less than the normal and 24 lacs tons than the final forecast for the last year. The present stocks of rice in Calcutta are reported to be only about  $1\frac{1}{4}$  lacs bags while Calcutta would be in a position to import 1 lac tons per month upto September next. In Bombay, the stock is only about  $1\frac{1}{2}$  lac bags as against the normal stock of



8/9 lacs at this time of the year. The price of rice has already risen in several parts of the country and is causing serious hardship to the consumers. The Committee do not wish to offer any observations here in regard to the problem of India being made self-sufficient in respect of food crops but it is evident that that is a question of long range policy embracing agricultural economy and involves several difficult and technical issues such as alternative crops, substitution of food articles etc., which require careful consideration and planning. The present question, however, is more limited but urgent in scope and in effect, namely, that of relieving the position created by the serious shortage of rice in the country which requires immediate imports of foodstuffs. The position can only be remedied by providing adequate and regular tonnage for the carriage of rice from Burma to India. The Committee understand that on an average of last two years' liftings, during the first three months of the year the shortage in rice imports into India is likely to be  $2\frac{1}{4}$  lac tons and it is unfortunate that this difficulty is being experienced during the busy part of the season when rice moves briskly between Burma and India. Heavy stocks of rice have already accumulated in several ports in Burma while shortage of supply is being experienced at ports of destination owing to a large number of ships serving this trade having been requisitioned.

Apart from rice, similar difficulties are being experienced in the transport of other commodities also. While consumers of starch in Bengal, for example, specially the textile mills are feeling inconvenience by not getting regular supplies particularly on account of increased prices of foreign starch and difficulties in obtaining supplies from foreign countries, considerable quantities of starch, it is understood, are lying unshipped at Rangoon for want of shipping space to Calcutta. It may be pointed out that the starch manufactured in Burma is more than sufficient to meet the demands of Bengal but the paucity of shipping space deprives the consuming industries in this province from deriving any benefit from this neighbouring source of supply. The Committee understand that while during the four months from December, 1939, to March, 1940, 930 tons of starch was exported from Rangoon to Calcutta, the corresponding figure for the four months from December, 1940, to March, 1941, was less than two-thirds, whereas the factory in Burma has almost doubled its capacity during this interval in order to meet the anticipated increase in demand. The Committee understand that whereas generally it was possible for the starch manufacturers in Burma to give the facility of long term contracts to their mill clients, they are not now in a position to give this facility on account of the abnormal trade difficulty. The textile mills, therefore, which are mostly busy on Government orders and badly require this facility, are experiencing inconvenience. The Committee may point out that owing to the difficulties of coastal tonnage, additional strain and pressure is also being put on railway transport.

The Committee do not wish to offer any observations in this letter in regard to the reasons for this shortage of tonnage which has been result of Government requisitioning coastal shipping for war purposes and which has led to dislocation of rice and other coastal trades involving serious difficulties and losses to shippers and merchants and hardship to consumers. This Chamber and the Federation of Indian Chambers of Commerce and Industry have already made clear their attitude about this policy of requisitioning of ships on the Indian Register. They strongly feel that the Government should consider as vital the question of import of necessary foodstuffs and other essential materials for industries and should give due weight and importance to vital trade interests especially at the present juncture. The Government should release a sufficient number of steamers to enable coastal trade to be supplied with adequate tonnage and carry cargoes awaiting shipment and steadily accumulating at the various ports. The Committee trust that Government will see that the requisition policy adopted for war prosecution and in order to assist His Majesty's Government, takes proper cognisance of the economic and commercial needs of India.

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#### DIFFICULTIES IN OBTAINING SHIPPING SPACE FOR SUEZ PORTS.

Telegram dated the 21st January, 1941, from the Chamber to the Government of India, Department of Commerce.

Committee Indian Chamber understand several consignments for Red Sea Ports lying unshipped since past few weeks as trade not getting any shipping space for such ports all space being requisitioned by Government. Request arrange clearance accumulated goods and also allow certain percentage in future to trade to avoid such accumulation and consequent hardship.

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*Copy of a letter No. 136-M.I.W. (13)/41 dated the 11th February, 1941, from the Government of India, Department of Commerce to the Chamber.*

Subject: Shipping facilities for exports to Suez.

With reference to your telegram dated the 20th January, 1941 on the above subject, I am directed to say that for various reasons the demand for shipping space from India to Egypt has in recent months become very heavy. Every effort is, however, being made, by berthing additional steamers to deal with a fair volume of the requirements of Indian exporters.

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## ACCUMULATION OF EXPORT CONSIGNMENTS

Telegram dated the 17th December, 1941, from the Chamber to the Government of India, Department of Commerce.

Committee Indian Chamber invite urgent attention to serious situation arising out of accumulation of export consignments particularly gunnies in Calcutta for shipment to U. S. A. owing further deterioration in availability of shipping space due to Far Eastern situation. Due date December shipment arriving and while manufacturers would expect shippers to take delivery irrespective of whether goods may be actually shipped or not shippers would not get payment from foreign buyers until freight is available and goods are shipped. This situation would lead to financial crisis so far as shippers are concerned and Committee therefore earnestly request Government take following measures. Firstly Government in consultation with representative British Ministry of shipping should arrange for necessary steamer freight and secondly persuade exchange banks through Reserve Bank or direct to advance money to shippers against consignments at sale prices. Committee urge immediate action.

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JOINT MEETING OF THE VARIOUS COMMERCIAL ORGANISATIONS IN  
THE CITY TO CONSIDER THE SITUATION ARISING OUT OF THE  
WAR IN THE FAR EAST.

Joint Communication No. 2451 dated the 17th December, 1941,  
from the Bengal National, the Muslim, the Marwari, the  
Indian Chambers and the Marwari Association  
to the Government of India, Department  
of Commerce.

I am directed to address to you this joint communication on behalf of the various Indian commercial organisations in Calcutta namely the Bengal National Chamber of Commerce, the Muslim Chamber of Commerce, the Marwari Chamber of Commerce, the Indian Chamber of Commerce and the Marwari Association. The representatives of these various organisations met recently in order to consider the situation arising out of the extension of the War in the East and I am now directed to invite the attention of the Government to certain important matters connected with trade and commerce as arising out of the present situation.

The declaration of War by Japan has brought the actual conflict much nearer the shores of this country. In fact, the Eastern Provinces including Bengal are practically within the danger zone. These developments have naturally accentuated some of the difficulties of the commercial community and these, in conjunction with other apprehensions of actual air raid and the consequent insecurity of life and property, are leading towards a state of panic. It may be pointed out that if this state

of panic among the mercantile community is allowed to grow, it is bound to affect the labour population also with the result that factories may be compelled to stop working, thus prejudicing the war effort. I am addressing the Provincial Government with regard to measures of safety, care of the wounded, evacuation of women and children, supply of foodstuffs during emergency etc. There are, however, certain other questions arising out of the present emergency and pertaining to trade and commerce which I am directed to bring to the notice of the Government of India for early consideration and action.

### *I. War Risk Insurance.*

In the first place, I am directed to refer to the War Risk (Goods) Insurance Ordinance which makes provision for the insurance of goods in British India against damage by enemy action. There are certain loopholes and ambiguities in this Ordinance which require to be set right without any undue delay.

(a) For example, it is understood that goods borne on the tidal portion of a navigable river are not "situated in British India within the meaning of the Ordinance and cannot, therefore, be insured." The Chambers are aware that the question of bringing goods situated between ship and shore in customs ports within the purview of the Ordinance is already under consideration of the Government. But even after this amendment, it will be doubtful whether goods situated on the tidal portion of navigable rivers, but outside the limits of the Customs Port,—for instance, on the river Hooghly—would be covered by the Ordinance. In view of the increased danger to the Port of Calcutta, it is essential that the Ordinance should be immediately amended so as to bring all goods in transit on the river Hooghly, except goods 'seaborne' within its purview and made insurable under the War Risk Insurance Scheme.

(b) Certain other points in connection with the Ordinance also require clarification. For instance, under the Ordinance, it is only the "owner" of the goods who is entitled to claim indemnity in the event of loss. The Government will realise that in many cases, it becomes difficult to determine when ownership passes from the seller to the buyer and in view of this uncertainty, the buyer and the seller each tries to pass on the liability to the other whilst seeking to enjoy the benefit himself. This position requires to be set right. There is also the question of the unpaid seller's lien which requires consideration. The unpaid seller's lien could be protected by the necessary amendment of the Sale of Goods Act extending the benefit of this lien to the indemnity payable under the W. R. I. Ordinance.

(c) I am also directed to enquire whether the W. R. I. Ordinance covers the risk to goods as a result of enemy 'capture'. The Chambers would be obliged to be enlightened on this matter.

*II. Insurance of Immovable Property.*

It is felt that a scheme for the insurance of landed and other immovable property including buildings, plant and machinery against war risk should be brought into being by the Government at an early date. The Chambers realise that the enforcement of such a scheme raises many important issues, for example, the territory to be covered, the determination of insurable goods etc. But, they feel, that if the Government bring into effect a scheme for optional insurance of immovable property, it would be possible to put the scheme into operation without much difficulty.

*III. Payment for Export Goods.*

At present most of the goods particularly gunnies, are sold and shipped on F. O. B. basis and under the circumstances, it is the buyer's responsibility to provide for freight. On account of the worsening of the situation in the Far East, however, the shipping position has become very acute and accumulation of goods at ports is growing. As this accumulation leads to considerable blocking of finance, it is essential that foreign buyers should be persuaded to make payment for goods on the due shipment date if they cannot get freight upto that time. The Chambers are recommending to the various Trade Associations here to arrange for the adoption of this practice by shippers but it is suggested that the Government of India should also give consideration to this point and try to give effect to it.

*IV. Prices for Goods Exported from India.*

As is well known, Indian goods both raw materials and manufactured articles are in considerable demand at present. The Chambers feel that nothing should be done by the Government to stand in the way of the Indian exporter getting a fair price for such supplies. For instance, some time back, the question of fixing maximum prices for gunnies for export to the U. S. A. was being considered by the Government of India. The Chambers do not see any reason why the Government of India should come forward with any proposal to fix maximum prices of an export commodity in this country for the benefit of foreign buyers. It may be pointed out that there is already a growing feeling in the country that the Government of India are following a policy of keeping down prices of Indian export goods so that the U. K. and other Allied countries may purchase those goods at cheaper rates. The Chambers would, therefore, like to be assured that no such policy is being followed by the Government.

*V. Finance.*

As already pointed out above, the developments in the Far East are bound to have adverse repercussions on the availability of shipping space for export. In fact, large consignments are already accumulating at the port awaiting despatch. It is essential that adequate facilities of finance be available in respect

of these accumulations and also in respect of internal trade. It is understood that foreign Exchange Banks are not giving the same facilities to Indian merchants as to their European clients and in certain respects have got themselves panicky. The Chambers suggest that the Government of India should persuade these Banks through the Reserve Bank of India to extend adequate facilities of finance to Indian merchants in order to avert a financial crisis.

I am directed to express the hope on behalf of the various Chambers mentioned above that the Government of India would be pleased to give immediate consideration to the questions raised above. As already pointed out, the War in the East has considerably changed the situation and it is essential that in order to avoid panic among the mercantile community, with consequent dislocation of the war effort, the Government should take early action so that the commercial community may be reassured.

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*Copy of a letter No. 44-WR.I.(6)/42 dated the 22nd January, 1942, from the Government of India, Department of Commerce, to the Chamber.*

Subject ' Insurance against War Risks in India.

With reference to your letter No. 2451, dated the 17th December 1941, I am directed to reply as follows to the matters dealt with in sections I and II thereof :—

#### *I. War Risks Insurance.*

(a) Goods borne on the tidal portion of the river Hooghly, unless fully covered against War Risks by an Overseas Government War Risk Insurance Policy or a Marine Insurance Policy will be insurable under the Ordinance as amended.

(b) Under sections 4 and 5 of the Ordinance as recently amended, persons though not the owners of the goods yet having an interest therein arising in the course of their business can also insure under certain circumstances. A study of the amending Ordinance will reveal to you that the case of the unpaid seller who has an interest in the goods by reason of his unpaid seller's lien is now covered by the Ordinance.

(c) The risk of loss or damage to goods as a result of capture by the enemy is not covered by the War Risks (Goods) Insurance Scheme, nor is there any occasion to provide cover against such risk as only such goods as are situate in British India are insurable under the Ordinance.

#### *II. Insurance of Immovable Property.*

It has been decided that it is not practicable to introduce a scheme to cover Immovable Property generally against war risks. A scheme covering Plant and Machinery and certain buildings

as defined under the Factories Act is, however, under consideration.

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CONSIGNMENTS DISCHARGED AT COLOMBO, BOMBAY AND ADEN  
BY CERTAIN STEAMERS BOUND FOR PORT SUDAN.

*Copy of a letter No. 136-M. I. W. (1)/40 dated the 10th December, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject: Remission of demurrage charges etc., on  
dumped cargoes.

With reference to your letter No. 1455, dated the 5th July 1941 on the above subject, I am directed to say that the Government of India are unable to accept the contention of the Indian Chamber of Commerce that they should meet the rent charges in case the Port Commissioners refuse to waive them.

2. As regards the correspondence ending with your letter No. 1731, dated the 12th August 1941, I am to say that the Government of India have already arranged with the various Port Trusts for a substantial reduction of the demurrage charges in the cases in question and they do not think that any further relief is called for in this connection.

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IMMIGRATION OF INDIANS INTO BURMA,

Letter No. 1323 dated the 14th June, 1941, from the Chamber to  
the Government of India, Department of Education,  
Health and Lands.

*Re: Immigration of Indians to Burma.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the question of immigration of Indians to Burma. Although it forms an important part of the whole question of Indo-Burmese relationship and could have been more usefully discussed along with the negotiations for a new trade pact, which were held and successfully concluded a few months back, the Government of India, for reasons which have not yet been made public, had agreed at that time to the question being taken up after the trade agreement was concluded.

Soon after the conclusion of the trade agreement, however, the Government of Burma announced their having given notice of termination of the Government of Burma's Immigration Order, 1937. Under this Order, immigration to Burma from India could not be subject to any restrictions which were not in force at the time of the separation of Burma. The Committee now understand that the question is actively under consideration of the Government of India and that an official delegation has

already been sent by them to Burma. They regret that the Government did not associate non-officials and particularly representatives of the Indian commercial community with the negotiations which the Government of India's delegation will now carry on with the representatives of the Government of Burma. The Committee feel that such inclusion of non-officials would have considerably strengthened the hands of the Government of India's delegation. The Committee, however, trust that Government will not come to any final decision or any arrangement with the Government of Burma on this important question of immigration of Indians into that country without full and prior consultation with Indian public and commercial opinion and before disclosing all facts and information about immigration.

In this connection, the Committee strongly urge the Government of India to publish immediately the Report of the Baxter Commission which was appointed to investigate into the problem of Indian immigration into Burma in order to enable the commercial community and the public to understand the full implications of this question.

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Telegram dated the 14th July, 1941, from the Chamber to the Government of India, Department of Commerce.

*(Copy forwarded to the Government of India, Department of Education, Health and Lands.)*

Reference Indo-Burma Immigration Question Committee Indian Chamber refer to their letter 14th June regretting Government not associating non-officials representatives of Indian Commercial community with recent negotiations and asking for immediate publication of Baxter Report. The negotiations of this purely official delegation were expected to be only exploratory as in fact Honourable Sir Girjashankar Bajpai himself stated in course of press interview here before departure for Rangoon and Commercial Community expected that terms of agreement will be concluded only after publication of details of such exploratory talks and Baxter Report. Committee are however surprised that immigration agreement is now being rushed through without public and Commercial Community being given opportunity to express opinion. Committee feel it is essential in Indian interests that Baxter Report and details of delegation talks in Burma are published and time allowed for expression of opinion thereon before agreement is finally concluded.

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Telegram dated the 6th August, 1941, from the Chamber to the Government of India, Department of Education, Health and Land.

Committee Indian Chamber Calcutta seriously perturbed to note terms of Indo-Burma Immigration agreement recently concluded. Committee hold agreement highly injurious to Indian



interests. Committee surprised Bajpai Mission which notwithstanding strong protest from Commercial Community did not include any non-official although meant to be exploratory has presented a fait accompli. Committee strongly protest against Indian Public not having been given opportunity to consider and express views on the agreement which seems directed more to prevention and prohibition than regulation of immigration into Burma. Committee Regret Government allowed immigration question to be taken separately from trade agreement consequently surrendering Indian bargaining power beforehand although in case of smaller Indian Population in Ceylon Government took up the right stand that trade and immigration questions must be dealt with together. Although original intention was only to regulate immigration of unskilled labour present agreement affects all Indians generally thereby violating spirit of understanding arrived at during passage of Government of Burma Bill in Parliament. Terms of agreement discriminatory and humiliating to Indian provisions about residential fee visitors stay and period of one year only allowed to privileged immigrants to stay out of Burma and about dependents etc. very unreasonable and unfair. Provisions about Marriage and cohabitation discriminatory and highly objectionable registration literacy test and unduly high fees make position of Indians in Burma worse than in South-Africa. Moreover such restrictions are imposed only against Indians. Agreement vague and Anti-Indian in many respects and several matters left to discretion of Burma Government. Committee surprised why Government rushed through such agreement which goes beyond even Baxter recommendations in many respects. Agreement will tend to create classes and distinctions amongst Indians resident in Burma. Committee surprised that Government have prohibited unskilled labour from 21st July before agreement comes into force and before immigration board is established thereby causing considerable hardship to hundreds of poor persons who had come to ports for embarkation for Burma. Committee earnestly request Government revise agreement in light of Indian opinion and meanwhile urge Secretary of State for India not to issue order in Council giving effect to same.

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Letter No. 1750 dated the 16th August, 1941, from the Chamber to the Government of India, Department of Education, Health and Lands.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite reference to the Indo-Burma Immigration Agreement recently concluded by the Government of India with Burma. The Committee of the Chamber are seriously perturbed to see the terms of the Agreement which they feel are bound to prove highly injurious to the interests of the country. In fact, the Agreement seems to be calculated more to prevent and prohibit than to regulate or restrict the immigration

of Indians into Burma. The undue secrecy maintained by the Government of India till the conclusion of the Agreement coupled with the humiliating character of the terms of the Agreement, which are now available, have raised serious apprehensions in the mind of the public as to the intentions of the Government to safeguard the legitimate rights and interests of Indians overseas. The recommendations of the Baxter Commission which investigated the problem of penetration of Indians into Burma were in the hands of the Government of India since October last but even though various commercial bodies in India including this Chamber pressed for the publication of the same, the Government of India withheld publication of the Baxter Report and have made it available to the public only now that the Agreement is an accomplished fact. The Government of India further sent to Burma a purely official delegation and did not associate non-official Indians with the same, notwithstanding the numerous requests made by commercial bodies in India to include non-official representatives on the delegation. The Committee of the Chamber are further surprised to find that the Bajpai delegation which went to Burma mainly for exploratory purposes in connection with the Agreement has presented the country with a *fait accompli*. On the 14th July, 1941, *i.e.*, seven days before the Agreement was signed, the Committee of this Chamber as also certain other Chambers of Commerce in the country finding that the Government of India intended to rush through an Agreement with Burma had sent a telegram to the Government definitely protesting against the same and emphasising that in the interests of the country, it was essential that the details of the talks, the Bajpai Mission had in Burma were published together with the recommendations of the Baxter Commission in order to accord an opportunity to the Indian public for an expression of views thereon before the Agreement was finally concluded. The Committee emphatically protest that notwithstanding these requests, the Government have now signed the Immigration Agreement with Burma without consulting or taking into confidence the Indian public or the Indian commercial community in the matter.

The Committee are further constrained to point out that the unfair nature of the Agreement is largely due to the fact that the Government of India had surrendered their bargaining power with Burma from before by separating the trade Agreement question from that of the status and rights and interests of the Indians settled and resident in Burma. The Committee are surprised that when in the case of a smaller Indian population in Ceylon, the Government of India took up the right stand that the questions of trade and position of Indians in Ceylon must be taken together, they separated the two issues in the case of Burma, thereby giving up the only lever which would have proved very useful in the negotiations in connection with the Immigration Agreement. The foregoing of this useful lever of the trade position between India and Burma, the Committee feel, was singularly unfortunate as not only the report of the Baxter

Commission was in the hands of the Government of India by that time but the Government could well have guessed the frame of mind of the Burma Government from the anti-Indian happenings in Burma during the last few years and the agitation against Indian residents in Burma conducted over a decade which was at the root of the same. Moreover, the non-official Advisers to the Government of India at the time of the Indo-Burma Trade Agreement had also unanimously emphasised the necessity of safeguarding the legitimate rights and interests of Indians resident in Burma. In fact, they even went to the length of accepting an unsatisfactory trade agreement with Burma with a view, that the favourable reaction to the same would lead the Government of Burma to recognise with justice the rights and claims of the Indian population in Burma at the time of the Immigration Agreement. The Committee regret to state that these hopes have been completely belied and the country has been saddled with not only an unsatisfactory Trade Agreement but in addition to that an Immigration Agreement which is derogatory to the interests, rights and self-respect of the nation.

The Committee would further point out that the terms of the Agreement are definitely opposed to the various promises and assurances given to the public in this country from time to time. For instance, the Report of Sub-Committee No. 4 relating to Burma of the First Round Table Conference stated *inter alia* that they would—

“also specially stress the importance of there being no discrimination as regards Indians entering Burma”.

When the draft Instrument of Instructions was under discussion in the House of Commons on the 17th November, 1936, Mr. Butler, on behalf of the Government stated :—

“I understand that the apprehensions of Indians in Burma have been aroused by the fear that there will be undue discrimination against the immigration of Indians into Burma”.

Mr. Butler, however, assured the House that “there can be no discrimination against Indian immigration into Burma without prior consultation with the Governor-General of India, who himself will take care of the interests of Indians who may wish to enter Burma. Therefore, I think the fear that has been felt on this score by Indians who wish to enter into Burma may be quitted in view of the contents of Paragraph XX”.

This position was further clarified when the President of the Indian Chamber of Commerce in Great Britain approached Earl Winterton in November 1936 in this connection. The note prepared by the India Office and forwarded to the Indian Chamber in Great Britain stated :—

“The position achieved by the Act and the Instrument of Instructions is this :—

By Section 36(1)(b) of the Act no measure which affects immigration into Burma at all may be introduced unless the Governor in his discretion gives his previous sanction to its introduction. This provision is supplemented by the instruction in paragraph XX of the draft instrument that, if any immigration measure is proposed to be introduced which would be likely to restrict Indians' right of entry into Burma, the Governor shall consult the Governor-General of India before he allows it to be introduced. These provisions seem to us to meet the Indian claim as fully as is possible without saying, in terms, that the Burma Legislature may not restrict the entry of Indians into Burma—a provision which would certainly evoke protests from the Burmans—and with justice since the power to control entry into its territory is one which we cannot well deny them”.

The underlined words in the above note point it out clearly absolutely no idea to restrict the entry into Burma of Indians into Burma and that the requirement of the previous sanction of the Government of India was meant to serve as a healthy check on any tendency discernible in Burma to discriminate against Indians. The Committee, therefore, regret that the Government of India have been a party to such an unfair and discriminating Agreement.

The Committee would further point out that even when the question of restricting immigration into Burma was considered, it was only with regard to unskilled labour and there was absolutely no idea to restrict the entry into Burma of Indians of all classes. During the course of the passage of the Government of Burma Act in the House of Commons, Earl Winterton moved the following amendment on the 10th April, 1935:—

“Provided that nothing in this sub-section shall affect any restriction lawfully imposed on the right of entry into Burma of such Indian subjects of His Majesty domiciled in British India as enter Burma, whether by previous engagement or otherwise, to perform unskilled labour for hire in Burma, not being domestic or menial servants, and members of their families and dependents”.

Earl Winterton further remarked in the course of his speech that—

“We are willing and so are the Indians concerned—those whom I have been able to consult—that the right should be given to the new Burma Legislature to deal with the question of the immigration of manual labour into Burma but we do not think that powers

should be given to place restriction upon other Indians coming into Burma".

Mr. Butler speaking in the course of the Debate on this subject stated—

"In connection with unskilled Indian labour, the Governor of Burma is asked to confer with the Governor General with a view to regulating the immigration of unskilled labour into Burma. We do that because it is necessary, for reasons that we gave during the passage of the Burma Act, to consider possible restrictions in certain cases of unskilled Indian labour. The reason we cannot make a simple rule is that we have to make differentiation in regard to unskilled labour while at the same time we do not want to stop the free entry of Indians in general. This is why we include the general reference to the Governor General".

The Committee therefore hold that the present Agreement violates the understanding arrived at during the passage of the Government of Burma Bill and goes contrary to the undertaking and assurances given at that time.

The Committee would further point out that no such discrimination as is imposed against Indians under the present Agreement, has been made against other British subjects resident in Burma. The Committee are aware that Section 44, sub-section 3 of the Government of Burma Act permits restrictions on the right of entry into Burma of Indians and that Section 138 further provides for immigration into Burma from India being subject to such restrictions as may be specified in the Order of His Majesty in Council and mutually agreed upon between the Government of Burma in Council and the Governor General of India in Council. The public in India have, however, always strongly protested against this "nominating discrimination" on principle. In fact, ever since Mr. Joseph Chamberlain opposed such discrimination against Indians, even the worst kind of racial legislation in South Africa has never excluded Indians *qua* Indians." The public in India were further reassured when the British Premier, the Rt. Hon'ble Ramsay Macdonald stated on behalf of the Government that—

"the main principle to be followed must be that of equal rights and opportunities for any British subject ordinarily resident or carrying on trade or business in Burma".

When, therefore, no restrictions have been imposed against other British subjects in Burma, the Committee deplore that the Government of India have consented to bring into practice such "nominating discrimination" against Indians in that country. Such nominating discrimination is regrettable all the more if the

important part played by Indian capital and labour in the economic development of Burma is taken into account. The Committee need hardly point out that both Indian capital and labour met a real demand in Burma and were in the first stages not only welcomed but also actually encouraged by the British Authorities in Burma and in India. The Braund Committee which investigated into the Indo-Burman Riots of 1938 recommended that:—

“We think that both Indians and Burmans need urgent public reassurance—Indians, that their status as British subjects in Burma will be upheld and that the position which the benefits they have conferred on Burma entitle them to will not be lost, and Burmans, that the economic growth and the interests of the Burmese race will not be unnecessarily stifled and overlooked”. The Riot Enquiry Committee further proceed to say that “there will always be room in Burma for the Indian and if that were not, Burma herself would probably be the loser”.

The Committee greatly regret that notwithstanding the services rendered for years past by Indian capital and labour in the economic development of Burma, the Indian settler in Burma will find himself to-day holding a status much inferior to other British subjects in that country.

The Committee have further to point out that the terms of the Indo-Burma Agreement now concluded go even beyond the recommendations of the Baxter Commission which investigated into the problem of penetration of Indians into Burma. The Baxter Commission recognised that “there is undoubtedly a widespread but erroneous view in Burma of the dangers of ever increasing immigration of large numbers of Indians into their country”, but they found that “the experience of the last century is sufficient to refute this belief”. They further state that—

“the whole of the Indians now settled and employed in Ceylon, the African territories, Malaya and Burma are less than the average annual increase of population in India and therefore the fear that Burma may be used as a kind of safety valve for a growing Indian population appears to be without foundation”.

The Baxter Commission also definitely stated that “at the present time, the only overt demand for the control and restriction of Indian immigration has been aimed at the limitation of the employment of Indian unskilled labour”. The Committee, therefore, fail to understand why the Government of India have entered into an Agreement which restricts not merely the unskilled labour but all Indians generally. The Baxter Commission further recommend that “Indians who have worked for at least five years in Burma with the clear intention of continuing to reside and work in the country save for short spells when they

revisit India, are entitled to be regarded as having acquired the position of privileged immigrants with a recognised status and with a right to further residence and to continuation of their employments". It is strange therefore that the Agreement requires a total residence of seven years for persons to claim the status of privileged immigrants. The Committee firmly believe that the Government of India could well have taken a stand on some of the recommendations of the Baxter Commission and should not have gone out of their way to enter into commitments detrimental to the interests of the country.

The Committee would not discuss in details the terms of the Agreement but they would point out that the same are not only discriminatory and unfair but also humiliating to India. The provision about registration of Indians is derogatory to the position of Indians and the fees imposed upon various classes of Indian immigrants are unduly high and prohibitive. The Committee are surprised to note that even a residential fee is proposed to be imposed upon the B class permit holders. Such a residential fee is not only unheard of but will operate as a great hardship on the poorer classes of Indians going for work to Burma under a B class permit. As mentioned before even when the Baxter Commission recommended five years' stay to be sufficient for entitling a person to hold the status of a privileged immigrant, the Agreement has stipulated the period to be seven years. The provision that privileged immigrants and those who are already in Burma on the 15th July 1941, will lose their status as such if they are absent from Burma for more than a year is unreasonable and unduly harsh. The Committee are also of the opinion that the provisions about marriage and cohabitation included in the Agreement are highly objectionable and derogatory to the self-respect of Indians. A literacy test is also sought to be imposed upon the Indian immigrants and the Committee feel that the same is bound to be abused against the interests of Indians. A number of provisions in the Agreement are moreover vague and not comprehensive. The provisions about marriage for instance does not take into account the fact that there is a large Zerbadi and Burmese Christian population in Burma to whom the restrictions cannot obviously have been meant to apply. There is a provision that the following classes of dependents of a privileged immigrant will be given "A" permits free of charge of entry into Burma:—

- (1) One wife, if there is no other wife residing in Burma,
  - (2) His sons below the age of 18 by the wife who is granted "A" permit under this clause or by wife residing with him in Burma.
- The position of other female children or the children of the other wife living in India has been left undefined. The position of sons or daughters of an immigrant by his dead wife is also not explained. The Committee further find that several matters have been left to be decided according to the discretion of the Government of Burma. The Government of Burma have retained

even the right to limit the issue of B class permits. The Committee would point out that if this limit is imposed upon persons going from India to Burma with employment assured from beforehand, Indian business houses in Burma requiring large trained staffs will be seriously affected. The right to limit issue of B class permits may well, therefore, be limited to unskilled labour.

The Committee also regret to note that no provision has been made in the Agreement regarding the civil and constitutional rights of Indian workers other than those domiciled in Burma. In fact, the Committee find that a number of provisions of the Agreement are harsher and more anti-Indian than is the case in South Africa. For instance, in South Africa a visitor is allowed to stay for a period of 6 months while in Burma the period of a visitor's stay will be limited only to three months. Moreover, under the Agreement if a privileged immigrant returns to India and is absent from Burma for a period of more than one year, he will lose his status as such and will have to apply again for fresh permit. In the case of South Africa, however, an Indian Immigrant not born in the Union can come to India and return within a period of three years, while an Indian born in the Union can absent himself for an indefinite period without his rights being affected in any manner. Again the South African Indians can marry either White or Negro women, while under the present Agreement with Burma, marriage or co-habitation with a woman belonging to the indigenous races of Burma may be made a condition for the cancellation of a permit or visa granted to a male Indian immigrant. In addition to these, the Government of Burma will impose a residential fee on the Indian immigrants in Burma holding B class permits which if the services of Indian labour and capital in Burma is taken into account seems to be certainly surprising. It is obvious that the menace of Indian penetration is at the back of a number of provisions of the Agreement but the Committee would point out that, as found by the Baxter Commission, there has been a reduction in the total Indian population in Burma, in the total number of immigrants and emigrants from and to India as also in the excess of immigrants over emigrants, the menace of Indian penetration seems to be therefore more or less exaggerated and psychological.

The Committee are further afraid that the provisions of the present Agreement will create classes and distinctions as amongst the Indian residents of Burma and the same is bound to hamper the healthy growth of a domiciled Indian community in Burma.

The Committee would further point out that the question of seasonable migration of agricultural labour as also of visits and transfers of employees of long-standing Indian firms have not been considered in the Agreement. For instance, some of the posts like Akyab are seasonal posts and the representatives of Indian firms generally return to India during the slack season or the monsoon. Apart from this, the Committee are surprised to note that even before the Agreement came into force the



Government of India prohibited unskilled labour from the 21st July 1941.

In view of these terms of the Agreement which are not only detrimental to Indian interests but also derogatory to the self-respect of the country, the Committee of the Chamber entertain serious apprehensions about the intentions of the Government to safeguard the legitimate rights and interests of Indians staying overseas. The Committee hold that on account of the lack of adequate statistics and proper information, the Government should have established some kind of impartial machinery for investigating and studying the exact position, collecting figures and gauging the effects of Indian immigration. The Committee are, therefore, definitely of the opinion that the Indo-Burma Agreement concluded by the Government with Burma should be revised as soon as possible and meanwhile the Committee would urge that the Secretary of State for India be requested not to pass the Order-in-Council giving effect to the same.

An early reply as to the intentions of the Government of India in the matter will oblige.

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#### DIFFICULTIES EXPERIENCED BY PASSENGERS TO BURMA.

Letter No. 1858, dated the 9th September, 1941, from the Chamber to the Protector of Emigrants, Calcutta.

The attention of the Committee of this Chamber has been drawn to certain difficulties experienced by businessmen going to Burma. The Committee understand that in view of the publication of the Indo-Burma Immigration Agreement, deck passengers travelling to Burma are required to furnish evidence to the effect that they are not going there for purposes of engaging themselves as unskilled labour. It may, however, be pointed out that many businessmen also travel to Burma as deck passengers, particularly as saloon accommodation is very limited and these gentlemen are also required to produce documentary evidence to prove that they are not "unskilled labour". Many of these businessmen, however, come from long distances in the up-country and as they have no idea that such documentary evidence will be required, they do not carry any with them and are consequently put to considerable inconvenience and are delayed for days together in Calcutta before being able to proceed to Burma.

The Committee are of the opinion that the authorities have adopted a wrong standard to differentiate between unskilled labourers and others. The Committee do not think it should be difficult to distinguish between an unskilled labourer and a *bonafide* businessman and they request you to see that such *bonafide* businessmen are not put to unnecessary inconvenience. In order, however, to assist you in the matter, the Committee suggest that they would be prepared to issue certificates to

*bonafide* businessmen which should be accepted by you as sufficient and conclusive evidence of the fact that the person to whom the certificate is issued is not an unskilled labourer and is not proceeding to Burma to engage himself as such.

The Committee shall be glad if you will carefully consider the above suggestion and let them have an early reply so that the Chamber may inform its members and the business community in general accordingly.

#### SUPPLY TO UNSKILLED LABOUR TO BURMA.

Letter No. 2355 dated the 2nd December, 1941, from the Chamber to the Government of India, Overseas Department.

The attention of the Committee of the Indian Chamber of Commerce has been drawn to a report that the Government of Burma have asked the Government of India for the supply of 35,000 unskilled workers for agricultural and other work in Akyab. In this connection, the Committee have to draw the attention of the Government to the "Transitory Provisions" embodied in Clause 24 of the Ido-Burma Immigration Agreement whereby the emigration to Burma of Indians for the purpose of unskilled work was prohibited from 21st July 1941. If the Government of Burma did stand in need of Indian unskilled labour, they could surely have anticipated their demand and not insisted on the prohibition of unskilled workers from India which was effected even before the Immigration Agreement was published. It is true that in this very Clause 24, an exception has been made for seasonal labourers who may at the instance of the Government of Burma be granted passports upto the numbers agreed upon between the two Governments. It passes the comprehension of the Committee that the Government should have agreed to this kind of stipulation which is entirely one-sided and inequitable because while surrendering the right of emigration of unskilled Indian workers to proceed to Burma and accepting onerous restrictions on the entry of Indians, it invests the Government of Burma with the power to requisition Indian labour as and when they require it for their own interests. This solicitude for the interests of Burma at the cost of India is undoubtedly in keeping with the entire trend of the Agreement and of the attitude adopted by the Government of India's Representative, Sir Girjashanker Bajpai, who stated that his one desire was to "ascertain and comprehend the difficulties that emigration from India may be creating for you and help you to the best of their ability to solve them". But this demand for Indian Labour conclusively proves Burma's dependence upon this Country for her economic development and confirms the view that Indian labour does not displace Burmese labour from employment but is essential for Burma's economic requirements and meets a real need. It also shows that the volume of Indian immigration

adjusts itself to the economic conditions in Burma and that Burma and India are economically inter-dependent. The Committee can now only express regret that these incontrovertible facts were not given due weight during the negotiations. But it is apparent that whatever bargaining power there was with the Government in this respect through prohibiting the emigration of essential labour to Burma has also been unfortunately compromised by the exception provided in Clause 24 of the Agreement in regard to seasonal labourers. It must be pointed out, however, that this is subject to an agreement between the two Governments. The Committee, therefore, are strongly of opinion that the Government of India should not accede to this demand of the Burma Government until and unless the question of a revision of the Indo-Burma Immigration Agreement is satisfactorily settled. The Government of India should not allow themselves to be rushed into acquiescing into this demand and will, it is hoped, feel strong enough to assert themselves in this matter.

The Committee do not desire to reiterate here the strong objections which have been urged against the Immigration Agreement by the entire Indian public and which have also now found expression in a Resolution adopted by the Legislative Assembly in Delhi. They would however, incidentally refer to the Rice Export Control Scheme which the Government of Burma propose to introduce from next year and which would also be seriously detrimental to Indian interests in Burma as well as India. The Committee feel that it would be extremely unfair if the Government of India permit emigration of such labourers as are demanded for their own requirements by the Burma Government when that Government are unresponsive to Indian sentiments and opinions and are not prepared to act in a spirit of reciprocity towards India. The Committee doubt whether the Government of India can permit even emigration of seasonal workers without a notification under Section 10 of the Indian Emigration Act with all its preliminary formalities so as to ensure proper treatment for Indian labour as a condition precedent to their emigration. It might be recalled in this connection that assurances were given when the Emigration Act was under consideration that the Government would not permit emigration of Indians to any country until the authorities concerned agreed to equality of status of Indians with other classes of His Majesty's subjects in those countries. This fundamental condition is completely violated in the Indo-Burma Immigration Agreement and unless there is a thorough and radical revision of that Agreement so as to implement the Parliamentary assurances in regard to the right of free entry of Indians into Burma, the Government of India should do nothing to relax the ban on emigration of unskilled Indian labour to Burma to suit Burma's interests without any guarantee or safeguard for the rights and interests of Indians. The Committee therefore strongly urge the Government of India not to accede to Burma Government's demand for unskilled workers unless and until the Government of Burma show an

accommodating spirit and agree to revise radically their policy towards India.

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INDO CEYLON NEGOTIATIONS.

Telegram dated the 30th August, 1941, from the Chamber to the Government of India, Department of Education, Health and Lands.

Committee Indian Chamber of Commerce strongly protest against Government decision to proceed with Indo-Ceylon negotiations despite repeated requests from responsible Indian opinion including Federation of Indian Chambers Southern India Chamber and Imperial Citizenship Association to postpone these negotiations until Indo-Burma Agreement revised to the satisfaction of Indian public and await better atmosphere for Ceylon negotiations. Committee consider Government should not have precipitated present talks but present member could have left over this matter for his successor specially appointed to Portfolio of Indians Overseas to carry on negotiations under more favourable conditions. Committee also regret that no Non-Official Advisers appointed as persons appointed are part of official delegation and do not include Indian Commercial Representatives.

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VISIT OF THE ECONOMIC ADVISER TO THE GOVERNMENT OF INDIA  
TO SINGAPORE SOMETIME BACK FOR THE PURPOSE OF  
CERTAIN ECONOMIC DISCUSSIONS.

Letter No. 1992, dated the 3rd October, 1941, from the Chamber to the Government of India, Department of Commerce.

The attention of the Committee of the Indian Chamber of Commerce, Calcutta, has been drawn to the report that important discussions regarding the control of international trade with particular reference to economic warfare took place in Singapore about the middle of September. They also learn that the Hon'ble Mr. Duff Cooper, who is on special duty to the Far East on behalf of the British War Cabinet, held these discussions, and that Dr. T. E. Gregory, Economic Adviser to the Government of India represented the India Government at these talks.

The Committee are surprised that the Government of India did not deem it necessary to associate the Indian commercial community in such vital talks which concerned the foreign trade of India. They feel that the Government should at least have invited a representative of the Federation of Indian Chambers of Commerce and Industry to these important discussions at Singapore in order to enable Indian business circles to keep in touch with developments which may affect the country's trade

to a considerable extent. The Committee now trust that the Government of India will consult the Federation before any commitments on behalf of India are made by the Government and any decisions pertaining to India are arrived at. They earnestly hope that in view of the importance of the matter the Government of India would give careful consideration to this matter.

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*Copy of letter No. 2177 dated the 22nd October, 1941, from the Government of India, Department of Commerce, to the Chamber.*

I am directed to reply to your letter No. 1992, dated 3rd October 1941, about Dr. Gregory's recent visit to Singapore. This visit was made at the invitation of the British Ministry of Economic Warfare for the purpose of certain discussions, the nature of which it is not in the public interest to disclose. I am to remind the Chamber that the Hon'ble the Commerce Member made it perfectly clear in his speech at the opening of the First Meeting of the Export Advisory Council, held on 11th June, 1940, that it is not possible to associate representatives of commercial interests with governmental discussions bearing upon questions of economic warfare policy, though the Government were always anxious to examine and remedy any grievances that might come to light regarding the actual working of the policy adopted.

2. It is, however, permissible for me to disclose that general trade questions were not under discussion. It only remains for me to add that Mr. Duff Cooper was not in Singapore at the time of Dr. Gregory's visit to that place.

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**MAIL-SUBVENTIONS TO THE P & O AND THE BRITISH OVERSEAS AIRWAYS CORPORATION.**

Letter No. 1969, dated the 26th September, 1941, from the Chamber to the Government of India, Communications Department.

The Committee of the Indian Chamber of Commerce, Calcutta, have to invite your attention to the contribution made by the Government of India to His Majesty's Government in connection with the carriage of mails between India and England by the P. & O. Company. The Committee understand that about £38,000 were paid in 1937 from the Indian Treasury for certain shipping services stipulated in the Agreement between the British Government and the shipping company concerned but presumably £30,000 per year are paid now. The Committee have to point out that at present these services have not been

maintained and have had to be severely curtailed owing to the war. It is, therefore, evident that the conditions stipulated for the grant of mail subvention are not being fulfilled at present and it is, essential to reconsider the question of the amount of payment made for the services and to reduce it accordingly. It might be pertinent to point out in this connection that the steamers of some of the Indian companies have been commandeered on the West Coast and since they have not been able to carry mails, no payment has been made to them for that purpose. The Committee have to emphasise that the Government themselves have contended that the subsidy given for the carriage of mails either between India and England or in the Indian coastal trade does not constitute any financial help but is a payment for services rendered. Consequently, Government must make corresponding adjustment and reduction in the mail subsidy owing to irregularity in and disorganisation of mail services. It might be mentioned that during a period of depression after the last war, the Oriental Steam Navigation Co. running between England and Australia *via* Colombo had voluntarily reduced their amount of subsidy from the Australian Government under their contract from £1,30,000 to £1,10,000 and it is hoped that the P. & O. Company which has obtained financial help and patronage from the Indian tax-payer would willingly agree to have the amount of subsidy substantially reduced in the present abnormal times when their services are unable to adhere to the schedule.

While on the subject, the Committee have also to enquire whether His Majesty's Government propose revising the agreement or contract with the P. & O. Company for the carriage of mails between India and England and if so, whether they have invited or propose to invite tenders for the purpose. The P. & O. Company secured the mail contract for India in 1842 and it will be exactly 100 years next year since they have been receiving this subvention from the Indian Exchequer and which has, particularly in the early stages, enabled them to build up the shipping service and has conferred great prestige and large patronage. The Committee would like to stress that whatever arrangements are made at present should be only for the duration of the war because Indian shipping companies must be given an opportunity on the basis of such a subvention to participate in the overseas trade of the country in the post-war period.

The Committee have also to urge the Government to see that any arrangement that they make with the P. & O. Company in this connection, includes the employment of ex-Dufferin Cadets not only as Apprentices but as Officers on board the ships of the P. & O. Company. The Committee have addressed the Government on this question on several occasions in the past and need not reiterate all the arguments made previously. They hope, however, that the Government would recognise the legitimacy of this demand made in the Central Legislature as well as by Indian commercial interests and Indian public bodies and trust that Government would give effect to this policy unequivocally and

see that it is carried out in letter and in spirit by the shipping company concerned.

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*Copy of letter No. 22/40 (6) dated the 25th November, 1941,  
from the Deputy Director-General, Postal Services,  
Indian Postal and Telegraphs Department  
to the Chamber.*

Subject:—Carriage of mails between India and England by  
P. & O. Steam Navigation Company.

In continuation of this office letter of even No. dated the 3rd October, 1941, I am directed to forward for your information a copy\* of a question and answer to the Honourable Raja Yuveraj Dutta Singh's question in the Council of State on the 19th November.

2. I am to add that the present is not a suitable time to consider the question of a revision of the existing arrangements with the P. & O. Co.

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EXPLORATORY TRADE TALKS WITH THE OVERSEAS DELEGATIONS  
THAT ATTENDED THE EASTERN GROUP CONFERENCE.

Letter No. 606, dated the 11th March, 1941, from the Chamber  
to the Government of India, Department  
of Commerce.

I am directed to invite reference to the correspondence resting with your letter No. 13396-C40 dated the 14th December, 1940, regarding trade talks with overseas Delegations to the Eastern Group Conference. The Committee of the Chamber had noted that the Export Advisory Council would be informed of the exploratory trade talks which the Government of India found it possible to have with the various overseas delegations to the Eastern Group Conference at the meeting of the Council on the 7th and 8th January, 1941, at Calcutta. The Committee, however, now understand that the members of the Export Advisory Council were not apprised of the trade talks at the last meeting of the Council held at Calcutta. The Committee are not aware as to the reasons why the Government of India have not found it possible to inform the members about the informal trade talks which the Government proposed to have and they would be glad if you will kindly enlighten them in the matter at an early date. The Committee need hardly reiterate that the commercial community are very anxious to know whether any talks on trade matters did take place and if so, with what results.

An early reply will oblige.

*Copy of letter No. 81-C.W. (11)/40 dated the 15th April, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject:—Trade talks with Overseas Delegations to the Eastern Group Conference.

With reference to your letter No. 606, dated the 11th March, 1941, on the above subject, I am directed to refer you to the remarks of the Chairman, Export Advisory Council reproduced at page 3 of the proceedings of the 3rd meeting of that council, copy of which has already been supplied to your Chamber.

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*Proceedings of the Third Meeting of the Export  
Advisory Council.*

7th January, 1941.

The Chairman in his opening remarks made a few observations regarding the Reports of Dr. Gregory and Sir David Meek on "Prospects of Indian Trade with the United States of America". He said that certain information which had been obtained confidentially from departments of the Government of the United States of America was omitted from the Report, but otherwise the Report had been printed without any alteration and would be open to discussion by the members in the course of the meeting. He also referred to the exploratory talks on commercial matters which the Commerce Department had expected to have with the delegations to the Eastern Group Conference from various countries. The hopes were not entirely realised partly owing to the shortness of the stay of the delegations which had to concentrate their attention on the special subjects for which they had come and partly owing to the fact that the delegations were small and in several cases did not include persons who could usefully take part in discussions on commercial matters. Nevertheless the Commerce Department had useful talks with more than one delegation, namely, those from East Africa, Australia and Palestine, and in the case of East Africa, the delegation was put into touch with some non-official representatives of commercial interests in India. It might be said on the whole that useful contacts were established and valuable information interchanged.

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Letter No. 830—833, dated the 18th April, 1941, from the Chamber to Messrs. Chunilal B. Mehta, Sir Abdul Halim Ghuznavi, B. Kanoria and N. R. Sarkar,  
Members on the Export Advisory  
Council.

Last year when the Eastern Group Conference met in Delhi, the Government of India had announced that although the Eastern Group Conference was primarily meeting to organise war supplies, the Commerce Department would utilise the opportunity of the visit of various overseas delegations to Delhi



to have exploratory trade talks with them. The Committee of the Chamber subsequently requested the Government of India to inform the commercial community about the trend of the trade talks they may have had with the overseas delegations from various countries. The Government of India replied that the information will be placed before the Export Advisory Council.

Accordingly, at the last meeting of the Export Advisory Council held at Calcutta on the 7th January, the Hon'ble the Commerce Member referred to these exploratory trade talks in his opening remarks. The Commerce Member, however, only stated that although "the Commerce Department had useful talks with more than one delegation" and "useful contacts were established and valuable information inter-changed, the hopes were not entirely realised". I am enclosing herewith an extract† from the proceedings of the meeting of the Export Advisory Council for your ready reference.

It will be noticed that the reference made by the Hon'ble the Commerce Member at the last meeting of the Export Advisory Council to these exploratory trade talks did not disclose any material information. The commercial community, as you are aware, is anxious to have some more details of the "useful contacts established and valuable information interchanged".

I am, therefore, directed to request you to kindly consider the desirability of pressing for more detailed information on the subject at the next meeting of the Export Advisory Council. If necessary, you may kindly address the Government now requesting them to place the information before the next meeting.

A line in reply will oblige.

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REPRESENTATIVE STANDING COMMITTEE RECOMMENDED BY THE  
EASTERN GROUP CONFERENCE.

*Copy of letter No. G-38(9) dated the 16th January, 1941, from  
the Government of India, Department of Supply,  
to the Chamber.*

I am directed to refer to your letters Nos. 3847 of 13th December, 1940, and 3938 of 30th December, 1940\*, and to state that the requests contained therein have been noted by the Government of India. As your committee recognize, paramount considerations of secrecy in connection with the prosecution of the war prevent full details being given of the war effort which is required from India in future, but the Government of India will from time to time give such information of the industrial effort which they foster as is consistent with those considerations.

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†Not printed.

\*Please refer page No. 292 of the Report for the year 1940,

2. The views contained in your letter No. 15 of January, 4th, have been noted but as they raise questions which are primarily the concern of the Commerce Department, this letter has been passed to that Department for disposal.

#### DISTRIBUTION OF WAR ORDERS.

Letter No. 810—811 dated the 24th May, 1941, from the Chamber to the Government of India, Department of Supply.

#### *Re: Orders for Jute Manufactures.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the question of the placing of orders for special jute manufactures with local jute mills. The Committee had an opportunity in September last to invite your attention to certain complaints about jute mills owned by Indians not getting proper share of the orders for special jute manufactures. It has been the general practice of the Department of Supply since the outbreak of the War to place orders for all their requirements of jute and jute manufactures through the Adviser for Jute Supplies at Calcutta. The Adviser distributes the orders that he receives from the Government amongst the members of the Indian Jute Mills Association and in cases of small orders he generally invites tenders from them. It has, however, been brought to the notice of the Chamber that recently a large order for special 'cotton-jute union canvas, was placed by the Department of Supply directly with a certain European-owned Jute Mill. The Committee are not aware as to why in this case the order was not placed through the Adviser for Jute Supplies and instead a special procedure was followed of directly placing the order with the Jute Mill concerned. The Committee also understand that no tenders were invited for the supply of this article. They need hardly point out that the procedure followed by the Department in this case has deprived other members of the Association of the opportunity of supplying their share of this kind of canvas. Some of the other members of the Association, the Committee may point out, have specialised in the production of this kind of canvas after having spent a large sum of money on experimenting and it was unfair that the order was passed on only to one particular mill. It may be pointed out that all members of the Indian Jute Mills Association have so far fully co-operated with the Adviser on Jute Supplies and have, in many cases, supplied the goods to the Supply Department even at prices below market rates. It is, therefore, all the more objectionable that when orders for special jute manufactures are received, they should be passed on directly to any particular jute mill or mills by the Government with the result that while all jute mills have to share in the routine orders, on some of which they have even to lose, most of them should be

deprived of the opportunity of getting the orders for special manufactures.

The Committee of the Chamber would, therefore, urge upon the Government to follow a consistent policy and to place all orders pertaining to jute manufactures through the Adviser on Jute Supplies and not directly with any individual mill thereby depriving other mills of their legitimate share of the orders. The Committee would be glad to receive an assurance from the Government on this behalf.

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*Copy of letter No. S-43(235) dated the 13th June, 1941, from the Government of India, Department of Supply, to the Chamber.*

Subject:—Contracts for Jute goods.

I am directed to acknowledge receipt of your letter No. 810, dated the 24th May, 1941, and to state as follows with reference to the points raised therein:—

The order for 'cotton-jute union canvas' was handled by the Supply Department direct, because this material was not considered to be an article of purely jute manufacture and arrangements had to be made to procure large supplies of cotton yarn which constitutes 60% of the finished product. The order was finally placed on the only firm whose product was found acceptable by the Chief Inspector of Stores and Clothing, Cawnpore. It may be mentioned that this action was not taken before the attention of 55 jute mills had been specifically drawn by individual letters from this Department, to the tender notice for 6,84,000 yards of jute/cotton union canvas, or before exhaustive tests by the Chief Inspector of Stores and Clothing, Cawnpore, had resulted in the material offered by the only other firm having been declared unacceptable.

The Department of Supply is not at variance with the view that ordinarily all their requirements of jute and manufacture should be placed through the channel of the Adviser for Jute Supplies, Calcutta.

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Letter No. 1501, dated the 10th/11th July, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to invited reference to your letter No. S-43(235) dated the 13th June, 1941, regarding contracts for cotton jute union canvas. The Committee of the Chamber are glad to note that the Department of Supply is not at variance with a view that ordinarily all their requirements of jute and jute manufactures should be placed through the channel of the Adviser for Jute Supplies, Calcutta. They further note that the order for cotton

jute union canvas referred to by the Chamber was handled by the Supply Department direct because this material was not considered to be an article of purely jute manufacture and arrangements had to be made to obtain large supplies of cotton yarn which constituted 60 percent of the finished product. The Committee would, however, point out that orders for articles in the manufacture of which the materials other than jute constitute even much more than 60 percent of the finished product have been handled before this by the Adviser for Jute Supplies or by the Jute Purchaser as he was previously called. They do not see any justification, therefore, for considering cotton jute union canvas as an article not falling within the scope of activities of the Adviser for Jute Supplies. The Committee also note that the order was placed not 'before the attention of 55 jute mills had been specifically drawn by individual letters from the Department of Supply to the tender notice for 684,000 yards of jute cotton union canvas'. The Committee learn from member jute mills that a tender for this article was brought to their notice as early as 1939 but since then apart from a few enquiries from the Adviser for Jute Supplies, they have not received any tender notice directly from your Department. The 55 jute mills referred to in your letter are, presumably, European-managed mills. The Committee would be glad if you will kindly clarify the position.

The Committee of the Chamber fail to appreciate why this special procedure was followed in the case of this particular order for cotton jute union canvas. They note, however, the assurance in your letter and trust that the procedure of placing orders direct and not through the Adviser, as was done in this case and which deprives other members of the Association of the opportunity of supplying their share of the order, will not be repeated.

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#### ORDERS FOR CLOTHING PLACED IN AUSTRALIA.

Letter No. 800, dated the 10th April, 1941, from the Chamber to the Government of India, Department of Supply.

The attention of the Committee of the Indian Chamber of Commerce has been drawn to a press report originating from Canberra (Australia) and appearing in the local papers early this month that "clothing orders for the use of the Defence Force in India, valued over £1,750,000 have been accepted by the Department of Supply". The Committee would like to submit that India has got a fully developed textile industry which is capable of meeting the requirements of war supplies and they would, therefore, be obliged to know whether the above report is correct and if so, the special circumstances, if any, which prompted the placing of this order for clothing for the Indian Defence Forces with the Australian Department of Supply.

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*Copy of letter No. M-21(12) dated the 26th April, 1941, from the Government of India, Department of Supply, to the Chamber.*

Subject:—Complaint about placing of orders for clothing on Australia.

In continuation of this Department letter No. M-21(12), dated the 14th April 1941, I am directed to point out that the Government of India have not placed orders on Australia for any textile items except certain woollen articles.

As your Chamber is probably aware, the whole of India's capacity for woollen textiles has already been booked by the Supply Department and orders were only placed on Australia after it had been fully established that they could not be met from Indian capacity.

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Letter No. 1039 dated the 13th May, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to invite reference to your letter No. M-21(12), dated the 26th April, 1941, regarding orders for clothing placed in Australia. A further report from Canberra as under has since then come to the notice of the Committee:—

“Canberra—Colossal orders for millions of manufactured textile pieces totalling thousands of sterling have been received in the Commonwealth from the Delhi Eastern Supply Group. Government plans setting up of textile industry output. The orders cover twenty groups of manufactured articles, mainly textiles—(Reuter)”.

As you will notice, it is stated that the orders cover 20 groups of manufactured articles, mainly textiles. The Committee would be glad, therefore, if you will kindly enlighten them as to what articles are included under these 20 groups of manufactured articles, especially whether cotton, silk or artificial silk piece-goods are included therein. An early reply will oblige.

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*Copy of letter No. M-21(12) dated the 14th July, 1941, from the Government of India, Department of Supply to the Chamber.*

I am directed to refer to your letter No. 1039 dated the 13th May, asking for enlightenment on the articles obtained from Australia. I enclose a list which gives you the information required. I am however, to make it clear that the orders placed in Australia are not for India alone but for the Empire forces generally and they include only items for which India's capacity is non-existent or inadequate.

*Articles ordered from Australia.*

1. Woollen textiles and hosiery.
  2. Canned foodstuffs.
  3. Felt hats.
  4. Army Boots.
  5. Harness leather.
  6. Motor car tyres.
  7. Waterproof packing paper.
  8. Drugs and medical stores.
  9. Napthalene balls.
  10. Horse hair.
  11. Air foam solution.
  12. Rifle furniture.
  13. Machinery and Machine tools.
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PREFERENCE TO BRITISH PRODUCTS IN MATTER OF SUPPLIES

Letter No. 82, dated the 18th January, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to enclose herewith copy of a memo. dated 10th January, 1941, addressed by the Superintendent, Rifle Factory, Ishapore, to Messrs. Krishnalal Thirani & Co., regarding samples of Emery papers. As you will notice, the Superintendent has added at the end of the memo that "this firm's products are acceptable due to the present emergency; if however, British made products can be obtained they are preferred". The Committee of the Chamber are surprised to note a responsible officer of the Government proposing such discrimination against Indian goods. They would point out that while under the Government of India Act, 1935, discrimination against British interests has been prohibited, discrimination against Indian goods even for supply to the Government of India is continued to be practised in this manner. In fact, the Committee would point out, the commercial community has since a long time felt that the declared policy of the Government to encourage production of goods in India so far as possible is not being effectively put into practice by the officers in charge, of the Government. The Committee of the Chamber have often received complaints that where foreign goods and especially British goods can be obtained, Indian firms manufacturing the goods are not always given a chance to supply the same to the Government. The case in point is a concrete instance of such policy of discrimination which the Indian commercial community have always apprehended that the officers of the Government are actually practising. The Committee believe that this is not a solitary instance of its kind but that Indian goods are in fact discriminated against when the question of

supply to the Government arises and similar foreign or British products are available for the purpose, although it may not be always possible to give concrete examples of such discrimination. The Committee need hardly point out that it is this policy of discrimination which hampers the growth of Indian industries even when there is as at present an opportunity to build up new industries or expand existing ones in the country so as to make it largely self-sufficient in the supply of manufactured articles. The Committee of the Chamber have to remark that the attitude of the Government of India in this respect is in striking contrast to that followed by the Governments in other parts of the Empire. The Committee all the more regret such attitude being adopted by officers of the Government when the present contingency has shown how dependent the country is for its essential needs in manufactured articles upon foreign supplies and how in the absence of a continuous supply of such articles, the industries in the country find themselves greatly handicapped. The Committee of the Chamber fail to understand this difference between the avowed policy of the Government to encourage industrial production in the country and the translation of that policy into practice by responsible officers of the departments of the Government and they would be glad if you will kindly enquire into the matter and assure them that such instances do not recur in future and that the Government would take all effective measures to put into practice their declared policy of encouraging Indian Industries. An early reply will oblige.

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*Copy of letter D.O. No. Dy. P-149/S. dated the 1st February, 1941, from the Government of India, Department of Supply, to the Chamber.*

This is in continuation of my demi-official letter No. Dy. P/149/S., dated the 31st January, 1941. I have looked into the matter, and find that there was no intention of preferring British products to Indian products generally. The position was that the emery paper discs would in the ordinary course have been obtained from the United Kingdom, and that discs of somewhat inferior quality were accepted owing to the War emergency. It appears therefore that the accusation of discrimination is wholly unjustifiable, and the Government of India do not consider it necessary to take any further action in the matter.

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*Copy of letter No. S-43(138) dated the 12th February, 1941, from the Government of India, Department of Supply, to the Chamber.*

Subject:—Stores Purchase Policy of the Government of India.

With reference to your letter No. 82, dated the 18th January, 1941, on the subject mentioned above, I am directed to say that

there has been no change in the general policy of the Government of India in the matter of the purchase of stores as enunciated in the preamble to the Rules for the supply of articles required for the public service promulgated with the Government of India, Department of Industries and Labour Resolution No. S-217, dated the 12th December 1929. The Government of India have no evidence that this general policy is not being put into practice by their Purchase Organizations.

2. The Stores Purchase Rules, it will be observed, require Indian Manufactures to be given preference over British as well as foreign manufactures subject however to the proviso that quality is sufficiently good for the purpose. In the particular instance which you have quoted it is clear from the contents of the Memorandum addressed to Messrs. Krishnalal Thirani & Co., Calcutta by the Superintendent, Rifle Factory, Ishapore that the quality of the firm's product leaves much to be desired. It can only therefore be made use of as a makeshift and in such circumstances it is but natural for the Superintendent to seek to secure goods of a quality more suited to his purpose. It is entirely unfair in the opinion of the Government of India to draw from the Superintendent's remarks the conclusion that a responsible officer is proposing discrimination against Indian made goods.

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Letter No. 394, dated the 18th/19th February, 1941, from the  
Chamber to the Government of India,  
Department of Supply.

I am directed to acknowledge with thanks the receipt of your letter No. S-43(138) dated the 12th February, 1941, regarding emery discs. I had also received a D.O. letter No. Dy-P-149/S dated the 1st February, 1941, from Mr. E. M. Jenkins, Camp-Calcutta on the subject as also a copy of the letter addressed by the Controller of Supply, Bengal Circle dated the 4th February, 1941, to you in connection with my letter No. 82 of the 18th January, 1941. The Committee appreciate the assistance given by the Controller to Messrs. Krishnalal Thirani & Co., in improving the quality of their discs which assistance was also acknowledged by the firm concerned in their letter dated the 15th November, 1940, addressed to the Director of Contracts. The Committee would, however, point out that their objection was only with regard to the general remark made by the Superintendent of the Ishapore Rifle Factory that "if British made products can be obtained they are preferred". The note in question did not mention anything about the comparative quality of the Indian and the British products and the obvious interpretation from its wordings was that there was a general intention of preferring British products as against those manufactured in India particularly as the emery discs had been passed long ago as acceptable by the Superintendent, Indian



Ordnance Factory, (Ammunition) Kirkee. The Committee, however, note the assurance in your letter that there has been no change in the general policy of the Government of India in the matter of purchase of stores as enunciated in the preamble to the Rules for the supply of articles required for the public services promulgated with the Government of India, Department of Industries and Labour Resolution No. S-217 dated the 12th December, 1929.

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#### MEDICAL STORES IMPORTED BY GOVERNMENT FROM ABROAD.

Letter No. 2231, dated the 15th November, 1941, from the Chamber to the Representative of the Government of India on the Eastern Group Supply Council.

I am directed to invite reference to your letter No. C/XXIII (2726) dated the 20th October, 1941, regarding Medical Stores imported by the Government from abroad. The Committee are aware that the Government have given an assurance that they are prepared to purchase in India medical supplies of Indian manufacture which are up to the prescribed standard. What they desire to emphasise, however, in their previous letter was that if this assurance is to be implemented in its spirit, the Government should not only purchase their requirements of medical stores as far as possible in India but should also encourage the manufacture of further items of the prescribed standard. It may be that technically it may not fall within the functions of the department of the Director General of Indian Medical Service to encourage new lines of manufacture but it will be admitted that whatever such encouragement has been given, the industry has responded and has thus been of assistance to the Government in their war supplies. Consistent with the spirit of the assurance, therefore, the Committee trust that Government would not only procure their requirements as far as possible in respect of existing lines of manufacture in India only but would also encourage the development of new lines by readily supplying to the industry such information as may be required without prejudice to the interests of the war.

As regards the lists of medical stores imported from abroad by the Government of India, the Committee understand that a copy of a recent list has been received by the Indian Chemical Manufacturers' Association for which the industry is thankful to the Government. The Committee, however, hope that the Director General would be good enough to continue to supply such lists periodically to the Association as stated in your letter. They would further suggest that, wherever possible, the quantities required by the Government of the various articles should also be mentioned in the lists. If, due to reasons of war, it may not be possible to give out the exact quantities, an approximate idea would also serve the purpose. It will be appreciated that

in order to induce manufacturers to take up production of new lines, it is necessary that they should have some information about the extent to which they can rely on Government purchases.

The Committee are very much thankful to Mr. M. S. A. Hydari for the interest he has taken.

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**PAYMENT OF BILLS FOR GOODS SUPPLIED TO THE  
DEPARTMENT OF SUPPLY.**

Letter No. 675 dated the 21st March, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the question of payment of bills of contractors for the goods supplied by them to the Department of Supply. The Committee understand that considerable delay occurs in payment of these bills. While they appreciate that some delay in these cases is unavoidable, they would point out that it would greatly facilitate the business firms supplying goods to the Government if it can be arranged that banks could make advances on these bills and later on collect payment for the same. The Committee understand that the banks are agreeable to such a proposal but they point out to the difficulty in their doing so on account of the fact that the Government do not recognise any third party lien in respect of these bills. The Committee have, therefore, to request the Government kindly to recognise the lien of collecting banks over the proceeds of such proposals as also to follow the practice as a rule. If the suppliers transfer all rights in respect of such payments to the collecting bank the Government would then be justified in not making payment direct to the suppliers but only to the collecting bank.

The Committee would point out in this connection that Form 12(D) (5) of the Indian Stores Department already lays down a condition in accordance with which a supplier can authorise any banker to receive payment by giving the final receipt on his behalf. This condition is, however, at present applicable only to those suppliers who are to receive payment in rupees in India. The Committee would therefore, suggest that this facility should be extended to all firms supplying goods to the Government. The Reserve Bank of India may also be requested to rediscount such bills submitted by the schedule banks so that the latter may extend the desired facilities to their customers without being handicapped by any restrictions.

The Committee understand that the Marwari Chamber of Commerce have addressed a communication to your Department in this connection and the Committee of this Chamber are in favour of the same.

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*Copy of letter No. S-26(50) dated the 15th May, 1941, from the Government of India, Department of Supply, to the Chamber.*

I am directed to refer to your letter No. 675 dated the 21st March, 1941, and in reply to say that the Government of India have carefully considered the question of granting recognition to a financing bank and to its lien on the amount payable to a contractor. They have now decided that the procedure laid down in paragraph 2 below may be followed by any contractor supplying goods to the Supply Department.

2. Payments due to contractors can be made to financing banks direct provided the contractors execute a power of attorney in favour of the banks and receipt each bill under the words "received payment" and then endorse it in favour of the bank under a separate signature. To ensure absolute safety from the point of view of the financing banks, Government will, however, recognise only an irrevocable power of attorney granted by the contractors to the banks and accepted by them (Government). In such cases, Government will not, as a rule, make any payment to the contractors without the privity of the banks. This rule will, however, be subject to the following condition:—

In the case of bills, which the contractor presents for payment direct and which are not endorsed in favour of the bank, while efforts will be made to secure payment to the financing bank, payments made to the contractor should be accepted as full acquittance so far as Government is concerned. As part of the arrangement, the financing bank should give Government a letter to this effect.

3. This procedure would not affect the usual rights of Government to deduct from contractors' bills (whether endorsed in favour of a bank or not) any sums due to Government on account of penalties, over payments etc., on that or any other contract with the Government of India.

4. I am to add that steps are being taken separately to ensure that contractors' bills are paid with the least possible delay.

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APPOINTMENT OF ADVISERS AND LIAISON OFFICERS IN THE  
SUPPLY DEPARTMENT.

Letter No. 193, dated the 29th January, 1941, from the Chamber to the Government of India, Department of Supply.

*Re: Supply Department—Appointment of "Advisers and Liaison Officers".*

I am directed to refer to the correspondence resting with your letter No. G-205(1) dated the 5th October, 1940, on the above subject. The Committee understand that since then the

Government of India have agreed that as the different designations given to the representatives of the different industries associated with the Supply Department *e.g.* "Controller", "Adviser" and "Liaison Officer" may have a misleading effect, the designations should be made uniform for representatives of all industries. The Committee will be glad to be informed whether any final decision has been taken in the matter.

As regards the appointment of "Liaison Officer" for the textile industry, the Committee are surprised to note your reply that "the leading representatives of the industry did not consider such an appointment to be necessary". The Committee do not know as to who are "the leading representatives of the industry" who were consulted and how and when. The textile industry throughout the country is very well organised and the Committee would like to know whether the various Millowners Associations were officially consulted in the matter. On the 28th February, 1940, when the question of the appointment of Controllers and Liaison Officers for industries was raised in the Central Legislative Assembly, the Hon'ble Sir Muhammad Zafrullah Khan in replying to Mr. Muhammad Nauman's question stated that "in the case of industries which have organised associations, the appointments have the approval of these Associations". The Committee are unable to appreciate why in the case of the textile industry, a different procedure was followed and only "leading representatives of the industry" were consulted instead of the recognised Associations.

As regards the appointment of a person, previously associated with a non-Indian textile manufacturing concern, as a wholetime officer in the Supply Department as the Director of Textiles, the Committee note that the status of "a businessman who temporarily becomes a salaried official" is "entirely different" from that of an Adviser or a Liaison Officer. The Committee trust that this "temporary" appointment will terminate soon as the presence of a gentleman directly connected with a textile manufacturing concern in the important post of Director of Textiles is bound to affect the interests of other manufacturers.

The Committee will be obliged to have an early reply to the points raised above.

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*Copy of letter No. G-38(1) dated the 26th February, 1941, from the Government of India, Department of Supply, to the Chamber.*

Subject:—Appointment of Advisers and Liaison Officers with the Supply Department.

I am directed to refer to your letter No. 193 dated the 29th January, 1941, on the above subject and in reply to state as follows:—

- (1) The designations of the non-official "Advisers" associated with the Department of Supply have already

been made uniform vide Press Note issued on the 23rd January, 1941, (copy enclosed)\*.

- (2) With regard to your suggestion for the appointment of an Adviser for the Textiles Industry, I am to say that the matter is still under consideration and a further reply will be sent to you as soon as possible.
- (3) The Director of Textiles in the Supply Department is not concerned with the placing of contracts, and Government are satisfied that the present appointment is not in any way prejudicial to public interest.

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REPRESENTATION OF CERTAIN INTERESTS ON THE PROVINCIAL  
ADVISORY COMMITTEE FOR WAR SUPPLIES.

Letter No. 124 dated the 22nd January, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed by the Committee of the Chamber to invite your attention to the question of representation of certain interests on the Bengal Provincial Advisory Committee for War Supplies which has been recently expanded and re-organised. The Committee find that apart from representatives of the various Chambers of Commerce and Trade Organisations, the personnel of the Advisory Committee also includes representatives of two individual mercantile firms namely the Imperial Chemical Industries (India) Ltd. and Messrs. Mackinnon Mackenzie & Co. The Committee of the Chamber are unable to understand the reasons as to why it has been considered necessary to grant representation on the War Supplies Advisory Committee to these individual firms. The usual practice followed by the Government for the representation of commercial interests on all public and semi-public bodies is to grant such representation only through the recognised Chambers of Commerce and commercial organisations. Both Messrs. Mackinnon Mackenzie & Co., and the Imperial Chemical Industries (India) Ltd., are members of the Bengal Chamber of Commerce who are already represented on the Provincial Advisory Committee and it therefore appears to be unfair that these two individual firms should be given separate representation on the Advisory Committee. The Committee will be glad if you will kindly enlighten them in the matter at an early date.

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*Copy of letter No. A-6(3) dated the 4th February, 1941, from the Government of India, Department of Supply to the Chamber.*

I am directed to refer to your letter No. 124, dated the 22nd January, 1941, regarding the representation of Messrs.

Mackinon Mackenzie & Co., and the Imperial Chemical Industries (India) Ltd., on the Provincial Advisory Committee for War Supplies in Bengal.

In reply, I am to say that the constitution of the Provincial Advisory Committee has been so designed as to secure representation for the commercial, mercantile and shipping interests in the Province, consistent with the actual requirements of the Government of India (Department of Supply) in matters concerning war supplies. The Government of India do not consider that there can be any fundamental objection to separate representation being accorded to any industrial or commercial firm whose close association with the War Supply Committee is considered by Government to be of special value, even though such concern be affiliated to a Chamber of Commerce already represented on the Committee.

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SETTING UP OF SEPARATE PROVINCIAL STORE PURCHASE  
DEPARTMENTS.

Letter No. 765 dated the 4th April, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Provincial Stores Purchase Departments.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the letter No. 52-PC dated the 26th February, 1941, addressed to you by the Association of Paint, Colour and Varnish Manufacturers in India on the subject of the Purchasing Policy of the Provincial Governments. The Committee agree that under the present circumstances, it would not be desirable for Provincial Governments to set up their own separate Stores Purchasing Departments. Particularly in view of the War supplies programme, it is desirable that all Government purchases in the country are co-ordinated and this could be done by the Provincial Governments also directing their purchases through the Indian Stores Department instead of setting up their own Purchasing Organisations. The Committee are, therefore, opposed at present to the formation of separate Provincial Agencies for stores purchases and agree that the existing Indian Stores Department of the Central Government should be quite capable of handling these purchases on behalf of the Provincial Governments throughout India.

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*Copy of letter No. S-70(I) dated the 25th April, 1941, from the Government of India, Department of Supply to the Chamber.*

Subject:—Creation of certain separate Provincial Stores Purchase Departments.

I am directed to refer to your letter No. 52-P.C., dated the 26th February, 1941, on the above subject, addressed to the

Secretary to the Government of India, Department of Commerce, and to say that after careful consideration of all the circumstances, the Government of India do not think that it is a matter in which they should take any action. The Provincial Governments are autonomous and they are free to set up their own stores purchase organisations if they so desire.

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PRACTICE OF CALLING FOR OPEN TENDERS IN THE CASE OF  
CERTAIN WAR SUPPLIES AND REGISTRATION OF NEW FIRMS.

Letter No. 5, dated the 3rd January, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to acknowledge receipt of your letter No. S.43(119) dated the 11th December, 1940, regarding registration of new firms on the approved list of contractors maintained by the Department of Supply. The Committee are glad to note that there has been no general decision not to register the names of new firms except in regard to the supply of tents. The Committee do not agree that as regards the manufacture of tentage, any further expansion of the industry will not be in the interests either of the Government or of the industry. They had the advantage of discussing this matter with the Hon'ble Member in Charge of the Department of Supply recently when he visited the Chamber, and the Committee was assured that the Government would consider any new applications for registration for the supply of tents from firms of standing. The Committee would be glad, therefore, if you will kindly reconsider the matter and take early steps to assure the industry that the Government would continue to register new firms for the supply of tentage after being satisfied about their status and standing.

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*Copy of letter No. S-43(119) dated the 14th January, 1941, from the Government of India, Department of Supply, to the Chamber.*

Subject:—Registration of Firms for Supply of tents.

With reference to the correspondence ending with your letter No. 5, dated the 3rd January 1941, I am directed to say that the assurance given by the Hon'ble Member for Supply related to applications other than those from firms desiring to be registered for the manufacture of tents. There is nothing to prevent any firms applying for registration for any purpose, but the Government of India are satisfied that further capacity for the manufacture of tents is not at present needed.

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Letter No. 115 dated the 21st January, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to invite reference to your letter No. S/43119 dated the 14th January, 1941, regarding registration of firms for supply of tentage. The Committee regret to note that your Department feel that there is no necessity for registering any new firms for supply of tentage. As the Government will appreciate, discrimination in registration of new firms in this connection is bound to create a virtual monopoly in favour of those firms who are already on the list. The Committee of the Chamber are opposed to the policy of confining whatever benefits that may accrue from war orders to a few specific firms in this manner under the plea that further capacity for the manufacture of tents is not at present needed. The Committee would point out that it cannot be denied that if more firms are registered in this connection it will not only encourage the firms manufacturing the material but will also benefit the Government by enabling them to purchase their requirements at competitive prices. When the Government of India are prepared to assure that there is nothing to prevent firms applying for registration for any other purpose, the Committee of the Chamber fail to see why a discrimination should be made in case of registration of firms for supply of tents. The Committee would, therefore, request the Government kindly to reconsider their decision in the matter and to allow new firms to be registered for supply of tentage to the Government. An early reply will oblige.

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#### INFORMATION ABOUT TENDERS SUBMITTED TO THE SUPPLY DEPARTMENT.

Letter No. 1653 dated the 30th July, 1941, from the Chamber to the Chief Controller of Purchases (Supply).

The Committee of this Chamber understand that in case of advertised tenders, representatives of tenderers are allowed to be present at the time of opening tenders and they are allowed to take notes of the names of tenderers, quantities and rates. The Committee learn that tenderers who have got no representatives at the place where the tenders are opened, for instance Calcutta or Delhi, are, however, not supplied with any information about the same by the Department. The Committee need hardly point out that information about names of other tenderers and the rates quoted by them would prove very helpful to each tenderer especially in filling in future tenders. The Committee, therefore, consider it desirable that the Department should make arrangements to furnish information about tenders submitted to outside tenderers. A reasonable fee covering staff expenses, postage, etc., may be charged to each outside tenderer for the information.

In view of the importance of the matter to a large number of tenderers not staying at the place where tenders are opened,



the Committee trust their suggestion would be found acceptable by your department.

An early reply will oblige.

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GOVERNMENT POLICY OF PURCHASING GHEE AND GRAINS.

Letter No. 598 dated the 11th March, 1941, from the Chamber to the Government of India, Department of Supply.

The Committee of this Chamber have been given to understand that the Government have been purchasing about 85,000 maunds of ghee for their requirements every year in normal times. The Committee learn that the Government are purchasing their requirements from a party in Gwalior who work as their agent and the latter is given 8 annas as commission excluding the establishment charges. A similar arrangement with a firm in Lahore is also understood to be in practice for the supply of Government requirements of grains and wheat. The requirements of the Government in these articles at present must of course be greater and the Committee feel doubtful if the system of purchasing such large quantities from one party only is to the advantage of the Government. The Committee would be glad therefore if you will kindly enlighten them about the position in the matter as to how the orders for ghee and wheat and grain requirements are being distributed.

An early reply will oblige.

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*Copy of letter No. 2M/3306 dated the 7th April, 1941, from the Directorate General of Supply, Contracts Directorate, to the Chamber.*

Subject:—Supply of ghee and grains.

I have the honour to acknowledge receipt of your letter No. 598, dated the 11th March 1941, to the address of the Secretary to the Government of India, Supply Department, which has been passed to me for disposal.

2. Ghee required for Military purposes is at present purchased by "Agency" system which has been in operation for many years prior to the outbreak of the War. The salient features of the Agency system are as follows:—

- (i) A firm possessing the requisite technical knowledge and experience of the trade in ghee has been selected, as a result of open competitive tender, to act as agent to Government for the purchase and supply of ghee required for Military purposes.

- (ii) The Agent is prohibited from trading in ghee with Government, that is to say, to purchase ghee on his own account and then sell to Government.
- (iii) Purchases are made by the Agent in up-country assembly markets where the primary producers bring their ghee for sale and important consuming centres draw their supplies from.
- (iv) The quality purchased must conform to Defence Services Specification.
- (v) Purchases are made at prevailing market rates subject to control on price paid.

3. In order to ensure efficient control and the issue of a uniform quality ghee (conforming to prescribed specification) to troops, a Government Military Ghee Heating Centre has been established at Agra, together with a Military ghee testing laboratory attached to it. All ghee purchased by the Agents is delivered at this Centre, where, after blending, the ghee is subjected to a process of heating and cleaning and to chemical and analytical tests. The accepted ghee is then distributed from this Centre to various destinations.

4. This system of purchase has been found to be both efficient and economical to Government and has proved its value in meeting the greatly increased war requirements.

5. The present system of Agency does not, in my opinion, place the trade under any disability to sell ghee to Government, as purchases are made in the open market and every primary producer or vendor of ghee has full opportunity to offer it to Government.

6. The position regarding purchase of grains and wheat is very similar to that of ghee. Grains and wheat are purchased through Agents on the same basis as described at para. 2 above. Grains, after purchase, are cleaned and crushed at Military Grain Depots at Lahore, Lucknow and Peshawar while wheat is milled at three Government Controlled Mills at Lyallpur and Delhi.

7. There is at present no intention to alter the existing arrangements so long as they continue to produce supplies of ghee, grains and wheat up to specification and in required quantities and at economical cost to Government.

8. I trust that the position will now be clear to the Committee of your Chamber. Should the Committee, however, desire to have further information, I shall be glad to furnish the same on hearing from you.

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## PUBLICATION OF TENDER NOTICES FOR SUGAR.

Letter No. 1879 dated the 12th September, 1941, from the Chamber to the Department of Supply, Simla.

The attention of the Committee of this Chamber has been drawn to the procedure followed by the Supply Department for publication of tender notices for Sugar. The Committee understand that at present these tender notices are published only in the Indian Trade Journal. A large number of Sugar merchants however who are not subscribers to the Trade Journal find it difficult to get information about these tenders. The Committee have received several complaints in this connection and they have considered the matter and would suggest that information about the sugar tenders in addition to being published in the Trade Journal may be supplied by the Government to the Indian Sugar Mills Association, Calcutta, who would circulate the same to all their members. The Indian Sugar Mills Association is the All-India organisation of the sugar industry and is, therefore, particularly fitted for this work. The information circulated by the Association to all its members would reach the market at different centres and would facilitate submission of tenders to the Government. This would not only be to the advantage of the merchants but also of the Government themselves as they would be able to obtain their requirements of sugar at competitive prices. The Committee feel that the Government will have no objection in adopting this procedure and they trust that tender notices for sugar in future will be brought to the notice of the Indian Sugar Mills Association, Calcutta.

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*Copy of letter No. 3924/2H dated the 6th November, 1941, from the Directorate General of Supply, to the Chamber.*

With reference to your letter No. 1879 dated the 12th September, 1941, to the Secretary, Department of Supply, Simla, I have to state that an enquiry for 2,264 tons of white sugar crystals has been addressed to the Secretary, Indian Sugar Mills Association and to the Indian Sugar Syndicate for favour of circulation to Member Mills. The enquiry has also been published in the Indian Trade Journal issued on 30th October, 1941.

2. It is proposed to continue this procedure in the future, wherever possible, and I am to express the hope that the Industry at large will avail of the opportunity given to it to submit quotations.

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**ALLOCATION OF GOVERNMENT CONTRACTS BETWEEN DIFFERENT  
COMMUNITIES ON POPULATION BASIS.**

Letter No. 967 dated the 3rd May, 1941, from the Chamber  
to the Government of Bengal.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the non-official resolution moved in the Bengal Legislative Council on the 4th April, 1941, regarding the distribution of Government contracts. The resolution, as originally moved, stated that "Government contracts should be given to Bengal Muslims on their population basis in various districts after properly advertising for tenders". The mover of the resolution said in support of it that as "Muslims were a backward community in Bengal, they should be given special facilities". An amendment was moved to the resolution to the effect that "Government should grant increasing facilities to Bengal Muslims and scheduled castes to tender for Government contracts in every district and that the contracts should be distributed to the various communities on a population basis, as far as possible, compatible with economy and efficiency". This amendment was later accepted by the mover and the amended resolution was passed by the Bengal Council.

While replying to the debate on the resolution on behalf of the Government, the Hon'ble Minister-in-Charge of Communication and Works expressed "every sympathy with the spirit of the amendment" and gave an assurance that "Government would do their best to see how far they could give effect to it". The Hon'ble Minister also revealed in the course of his speech that the matter had already been receiving the attention of the Government and that "with a view to give every community an opportunity to submit their tenders, Government had drawn up an approved list of contractors in which they wanted to have both the communities represented on a fifty fifty basis". He also stated that as "the majority of Muslim contractors were inefficient and poor", the Government had "classified contractors according to the amount of work they could take up at a time with a view to give better facilities to Muslims to compete with others".

While the Committee have nothing to say against the desire of members of any particular community to share in the distribution of Government contracts—and it may be pointed out that the Indian Chamber of Commerce have got a large number of Muslim Members on their roll—they desire to record their strong protest and disapproval of the introduction of communal considerations into matters of trade and business. It is clear from the resolution as adopted by the Council, and more so from the speeches in support of the same, that the main purpose of the said resolution was to influence the decision of Government in the matter of allotment of contracts in favour of a particular community instead of leaving the decision to be taken purely on

grounds of economy and efficiency. The Committee greatly deplore that this move was endorsed on behalf of the Government of Bengal. In fact, it was revealed that the Government had already taken certain steps with regard to the preparation of lists of approved contractors on communal basis. The qualifying words "compatible with economy and efficiency" in the resolution passed by the Council and the reiteration by Government that they "stuck to the principle of awarding contracts to the lowest tenderer" have no meaning when the Government have, in fact, accepted the principle that special facilities should be given to a particular community in the matter of tendering for contracts". The Committee are strongly of the opinion that the only satisfactory manner of awarding a contract is by inviting public tenders and by giving the same to the lowest tenderer. It is only by open competition where economic factors have unrestricted sway, that economy and efficiency can be secured. Instead, if attempts are made artificially to prop up certain interests, these are bound to have serious repercussions on efficiency and economy. The adoption of communal considerations in the matter of allotment of contracts would, therefore, be against the interests of the general taxpayer.

The Committee may also point out that the adoption of a list of approved contractors based on a fifty fifty communal ratio, would seriously affect the interests of a large number of persons and firms already in business inasmuch as if, for example, only 10 names from among the Muslim community are obtainable for inclusion in the list of approved contractors for a particular trade, the other community will also have to be represented by an equal number inspite of the fact that there may be many more good and efficient contractors available. This would also affect economy and efficiency by depriving the Government of taking advantage of the services of a larger number of contractors.

Moreover, there may be certain lines of trade and business in which sufficient number of Muslims are not engaged at present and the adoption of the principle of a fifty-fifty list of approved contractors would only encourage the growth of middlemen. The Government will lose direct contact with manufacturers and with other reliable firms and will have to depend instead on tenders submitted by middlemen which would be both uneconomic and detrimental to the cause of efficiency.

Apart from the above considerations, it may also be pointed out that the adoption of the principle enunciated in the resolution passed by the Bengal Council would obviously encourage nepotism and would lead to unhealthy state of affairs in the matter of allotment of public contracts.

The Committee need not emphasise that in matters relating to trade and commerce, actual businessmen, whether Hindus or Muslims have always realised that the only considerations which should govern such matters should be economic. In fact, so far

as commerce, industries and trade are concerned, all classes of the Indian commercial community have always had a similar outlook and have acted together. The Committee, therefore, all the more deprecate the attempt to introduce communal considerations in trade matters and the creation of grievances where none should exist. They earnestly hope that not only in the interests of the Government themselves and the general taxpayer but also in the wider interests of avoiding the introduction of communal matters in a field in which they do not exist, and should not exist, the Government will stick to the policy of allotting contracts strictly on economic considerations.

As the matter is of sufficient public importance and as certain commitments were made on behalf of the Government in the Bengal Council when the resolution concerned was discussed, the Committee suggest that in view of the considerations given above, the Government would issue a statement making their position clear and reiterating their adherence to the principle of awarding contracts to the lowest tenderers irrespective of their religion or community.

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#### IRON AND STEEL (CONTROL OF DISTRIBUTION) ORDER, 1941.

Letter No. 1688 dated the 5th August, 1941, from the Chamber to the Iron and Steel Controller, Calcutta.

I have to refer to Rule 2 of Section B of the Iron and Steel Control Scheme which provides that all orders for iron and steel placed with a stockholder for delivery from the stock of the stockholder must be written and dated and accompanied by the order licence etc., except in the case of petty sales for which the maximum monthly quantities would be fixed by the Central Government from time to time and notified to the public through the press. The Chamber has received several enquiries from members as to the quantities the Government have fixed at present for such petty sales. As the business of these dealers has been practically reduced to a standstill, I shall be obliged if you will let me have the information as early as possible.

Section A of the Scheme defines a stockholder as a person or firm holding stocks of iron and steel for sale, who is registered as a stockholder by the Controller. I shall be glad if you will kindly also let me know the procedure prescribed for such registration.

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Letter No. 1887 dated the 13th September, 1941, from the Chamber to the Government of India, Department of Supply.

I am directed to invite reference to the Government of India Notification No. 350(55)-ITC/41, published in the Gazette of

India, Extraordinary, dated the 1st August 1941, fixing maximum sales of Iron and Steel permitted without License. The Committee find that in case of bolts, nuts, washers, rivets, screws, galvanised wire, black wire, and barbed wire, the Government have fixed the maximum quantity permissible for sale or disposal without License at 1 cwt. per month. The Committee have however received several complaints from merchants and dealers that this limit is very low and if merchants are required to restrict their transactions to this limit it will be practically impossible for them to meet their establishment charges from such sales. The Committee would point out that the dealers have to incur considerable expenses for maintaining their shops and establishments and it is essential therefore that the maximum quantity allowed for sale without License should be such as would ensure their running expenses. The Committee would therefore suggest that the maximum quantity of the articles mentioned above which might be allowed for sale without licence, should be at least 2 cwts. per day in each article. The Committee feel that if the maximum quantity is not raised to this amount the merchants and dealers would be greatly handicapped even in maintaining their shops and the same would not only affect the trade but also supplies of these essential articles to the public and to the Government.

The Committee therefore trust that in view of the importance of the matter the Government would reconsider the same and raise the maximum quantity permissible for sale without license as suggested above.

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*Copy of letter No. 372(45)-I.T.C./41 dated the 29th November, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Refer to your letter No. 1887 dated the 13th September, 1941, to the Government of Supply. You will have noticed that the points made by you have already been taken into account and the notification you refer to had since been revised. I am to point out that the maximum allowed is sales without licence by any one dealer to any one customer in any one month, but not the total sales which a dealer can make in a month.

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#### LIGHTING RESTRICTIONS ORDER.

*Copy of letter No. 1887(10)-Com. dated the 2nd June, 1941, from the Government of Bengal, Department of Commerce and Labour, to the Chamber.*

I am directed to say that the Lighting Restriction Order recently issued by Government has placed certain disadvantages

on the carters of the city in view of the danger attendant on unlighted or badly lighted carts. It has therefore been suggested that the hours of work of the carters should be so arranged as to relieve them before night fall. This is only possible if the Railway Companies and the Port Commissioners could be induced to open their goods delivery godowns much earlier in the morning so that carters could take delivery of the goods from 8 A.M. onwards. If this were done, the delivery godowns could then be closed at 3-30 P.M. and this could give ample time to the carters to transport the goods of which delivery has been taken to their destination before dark. It has also been suggested that godowns belonging to private owners should be opened earlier and should not deliver goods for transport after 4 P.M.

In the opinion of Government, these suggestions are quite reasonable and should be given effect to as early as possible. I am accordingly to request you to report for the information of Government whether this proposal is acceptable to your Chamber and if so, whether they have any objection to give effect to it forthwith.

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Letter No. 1394 dated the 21st June, 1941, from the Chamber to the Government of Bengal, Department of Commerce and Labour.

I have to invite reference to your letter No. 11(6)-T/Com. dated the 7th June, 1941, regarding the opening of goods delivery godowns of Railways and Port Commissioners a little earlier to enable carts etc., to secure goods before nightfall. I am circulating the matter to interested members of the Chamber. The attention of the Committee has, however, been drawn to the fact that during summer months carters are not allowed to work from 12 noon to 3 P.M. As the Police Regulations require the bullocks to be given rest during these hours. During these months, it will therefore prove difficult for the merchants if godowns are closed at 3-30 P.M. The Calcutta Kirana Association which is affiliated to the Chamber have also suggested that the Port Commissioners godown may be opened from 8 A.M. to 4 P.M. but the godowns of private owners may be opened earlier and may be allowed to close at 5 P.M.

The Committee would be glad if you will kindly consider these suggestions.

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#### OBSCURATION OF STREET LIGHTS IN CALCUTTA.

A joint representation dated the 19th June, 1941, to the Government of Bengal, Home Department.

*Re.: Street Lighting in Calcutta.*

We are directed to approach you by the Committees of the Bengal National, Muslim, Marwari and Indian Chambers of



Commerce in connection with the lighting restrictions now enforced in the city of Calcutta, particularly the obscuration of street lamps. The Chambers note that whereas the provisions contained in the Government of Bengal's Order dated the 8th May, 1941, relating to lighting in the interior of residential houses and other premises has come into force, the provisions relating to motor vehicles is not to take effect until the 20th June, 1941, and that relating to the obscuration of light in public streets not until the 30th June. The 'obscuration' of street lights meanwhile is proceeding and by now lights in almost all the main streets in the city of Calcutta have been "obscured".

Complaints have, however, been received by the Chambers that the manner in which these street lights have been obscured is causing considerable inconvenience and hardship to the public. So far as the Chambers have been able to gather from the Note by the Superintending Engineer, Electrical Circle, Government of Bengal, on the "obscuration of street lights" appended to the Lighting Restriction Order published by the Government of Bengal, the purpose behind such obscuration is to prevent "the glare in the sky caused by ordinary street and outside lights which makes big cities visible from the air at a distance of many miles". It is to eliminate this glare that street lights are required to be "shaded so that no direct rays can escape above the horizontal". It is further stated in the Note that "after a number of experiments it has been decided to allow light in the streets equivalent to bright moon-light".

A tour of the streets of Calcutta after night-fall would, however, show that the obscuration of street lights goes much beyond the nature and scope of such obscuration as pointed out above. Leaving apart "bright moonlight", the present restricted light in the streets of Calcutta does not even resemble "star-light" and it may be said without exaggeration that apart from the glow of the dim lights of moving vehicles and, in some cases, of lights from shops and residential houses on both sides of the road, the streets of Calcutta present a totally dark appearance.

It need hardly be pointed out that as a result of this undue restriction of lights in public streets not only has the normal life of the city been disturbed to a considerable extent but the danger of street accidents has also been greatly aggravated. The prevailing darkness in the city has also become a source of great danger to the lives and properties of the citizens due to the increased possibilities of thefts, burglaries and assaults on pedestrians by bad characters. Cases of such occurrences have already been reported to the Chambers and moving about in the thoroughfares of Calcutta after nightfall is becoming more and more dangerous. In fact, although the lighting restrictions have now been in force only for a few days, there is a growing feeling of almost universal resentment among the public with regard to measures adopted by the authorities to deal with street lighting.

The Chambers understand that although lighting restrictions are also in force in the cities of Bombay and Madras, conditions both with regard to street lighting and with regard to lighting in private houses are far better in those cities. The Chambers do not see any reason why the public of Calcutta should be put to such intolerable inconvenience by restricting lighting to a point not warranted by the object which the Government have in view. The Chambers have no doubt that the Government do not desire the normal life of the city to be unduly disturbed and unnecessary inconvenience to be caused to the public. We are directed to request the Government, therefore, to take immediate steps to see that the lighting of public streets is improved as soon as possible and that such lighting does not at least fall below the standard of "bright moonlight". We are also directed to suggest that, if necessary, the Government might even depute an officer, or officers, to visit the cities of Bombay and Madras in order to get a firsthand experience of the lighting arrangements in those cities.

We also take this opportunity of drawing the attention of the Government to the necessity of avoiding undue harassment of the general public in connection with the enforcing of domestic lighting restrictions. The Chambers suggest that it is very necessary that the attitude of the police, the Civic Guards and the A. R. P. Wardens in this connection should rather be one of advice and guidance so as to be helpful to the public in adapting themselves to the new conditions and requirements than one of undue harassment or threats of prosecutions etc. The Committee understand on authority that much of the harassment to the public is caused due to the ignorance of the A. R. P. Wardens themselves and others responsible for seeing to the enforcement of the Lighting Restrictions, of the exact requirements of the Government Order. It is essential that in order to secure the willing co-operation of the public in this matter, the authorities should be able to make them understand the correct implications of the Order instead of merely harassing them for not doing what they have not understood or of advising them to do something that is not warranted by the Order and threatening them with prosecution on that account.

In view of the urgent public importance of the matters raised above, all the four above-mentioned Chambers representing almost the entire Indian commercial community of Calcutta have considered it desirable to submit this joint representation which, they trust, would receive immediate and most careful consideration of the Government.

DEVISING WAYS AND MEANS TO KEEP ESSENTIAL SERVICE WORKERS  
AT THEIR POSTS DURING A PERIOD OF EMERGENCY AND PROP-  
AGANDA ABOUT THE EFFECTS OF HOSTILE AIR ATTACK ON  
THE LABOUR POPULATION OF CALCUTTA.

*Copy of letter No. 3035(6)-Com. dated the 15th August, 1941,  
from the Government of Bengal, Department of  
Commerce and Labour, to the Chamber.*

I am directed to say that the question of devising some ways and means to keep the essential service workers, *e.g.*, workers of public utility, companies or workers employed in war factories at their posts during a period of emergency has been under the consideration of Government for some time past. To ensure the normal functioning of these services, it is considered necessary to take certain extraordinary measures which may broadly be divided into two classes *viz.*—

- (i) Those by which encouragement is given, by the provision of certain advantages to men who have to remain at their posts during an emergency, and
- (ii) those by which compulsion can be applied.

As regards (i), Government have under consideration the question of the payment of a danger allowance to this class of workers, and also of the payment of some compensation to them or to their dependants in the event of death or injuries sustained as the result of enemy action.

As regards (ii), it is proposed to take power by legislation or otherwise to prevent these workers from deserting their posts during an emergency. But these measures are not considered sufficient for the purpose.

2. When air raids are on, it will be difficult and at the same time dangerous, for the workmen to go out and obtain food for themselves from the neighbouring restaurants or eating houses and naturally the question arises that some arrangement should be made for providing them with meals. Government presume that this aspect of the matter has already been considered by your Chamber.

3. It has been suggested that to induce the workers to remain at their posts, the employers should provide them with free rations for the period they will require their services during the emergency. The following questions have accordingly come up for consideration in this connection *viz.*—

- (a) The period for which the rations may be supplied.  
The period of emergency may continue indefinitely and it would perhaps be difficult for most employers to arrange to feed their workers for all this time. In that case the supply of free rations may be considered only for the duration of the actual raids.

(b) Whether cooked food can be supplied.

This would obviate the necessity of workers having cooking utensils in the premises, on the other hand the same food may not prove suitable for all workers employed. Uncooked food has its own problems—of storage, and liability to damage.

I am now to request you to favour Government with the comments of your *Chamber* on the proposals made above, after consulting such of your constituents as you consider necessary.

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Letter No. 1880 dated the 13th September, 1941, from the  
Chamber to the Government of Bengal,  
Department of Commerce.

I am directed to refer to your letter No. 3035(6)-Com. dated the 15th August, 1941 on the question of "devising ways and means to keep the essential service workers *e.g.*, workers of public utility companies or workers employed in war factories at their posts during a period of emergency", and to communicate the views of the Committee of the Indian Chamber thereon. I may mention that the questions raised in your letter have been thoroughly considered by a meeting of the representatives of various member-industrial concerns, convened specially for the purpose and following, therefore, represent the considered views of the Chamber on the same:—

The Committee note that the questions of encouragement to workers to remain at their posts, the payment of a danger allowance and of legislation to prevent them from deserting their posts relate only to public utility companies and war factories *i.e.*, factories engaged in the production of munitions and do not affect private employers. The Committee agreed that there should be no compulsion on civil employers to work their factories during the period of emergency irrespective of whether they desired to do so or not and that legislative provision with regard to compulsion on workers and/or the payment of a danger allowance should be applied only to workers of public utility concerns and of munition factories.

As regards the question of providing free rations to workers who are unable to go out of factory premises during the time of actual air raid, while the Committee feel that employers would naturally be willing to make such arrangements for the feeding of labour during that period as circumstances permit, they do not consider it practicable or desirable that any hard and fast rules should be laid down on this matter or that the provision of such rations is enforced by law. The Committee may point out that there is no comparison between Indian labourers and the labourers in England, or for the matter of that, in any other foreign country. In India, the working class is composed of different castes and sub-castes and as the Government are no

doubt aware, people of different castes observe different scruples in the matter of food. The Committee, therefore, are strongly of the opinion that it is not practicable to lay down any hard and fast rules in the matter of supply of food. Moreover, all industrial concerns cannot be treated on the same level as their resources also differ considerably.

The Committee trust that the views expressed above will receive careful consideration of the Government.

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#### PETROL RATIONING.

Telegram dated the 5th August, 1941, from the Chamber to the Government of India, Department of Commerce.

Reference Motor Spirit Rationing Order Committee Indian Chamber strongly feel Rationing scheme unduly harsh and bound to cause considerable inconvenience to public particularly business community. Basic rations extremely low particularly for city like Calcutta involving large distances between residential and business quarters and industrial centres. For most owners and users cars are essential aids to speedy and efficient business and undue restriction on petrol supplies is bound to affect adversely business and industrial activity and consequently also hamper War Work. As Government envisage only about 20 percent reduction in consumption for present and as share of private motorists is not large in proportion to total consumption of petrol in India restricting of basic rations to present unduly low limits is unnecessary. Although there is provision for supplementary grants Committee earnestly urge Government increase Basic rations to avoid unnecessary inconvenience and hardship to public. Committee also request Government issue instructions to rationing authorities for granting supplementary Rations liberally. Committee greatly regret Government promulgated such important rationing measure without consulting public opinion.

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Letter No. 2270 dated the 21st November, 1941, from the Chamber to the Government of Bengal,  
Home Department.

I am directed to invite reference to this Office letter No. 1843, dated the 8th September, 1941, addressed to you in connection with the rationing of petrol. The Committee had pointed out in the letter that on account of the stringent rationing and consequent inadequate supplies of petrol many industrial and business concerns were already beginning to suffer losses and were faced with disorganisation of their transport services. They had emphasised that so far as businessmen and merchants were concerned, cars were no longer objects of luxury and comfort but had become a necessity, and they had there-

fore requested the Government to issue instructions to Area Rationing Authorities to issue liberal grants of supplementary rations of petrol for business purposes especially for "essential transport and industrial purposes". In this connection the Committee had also referred to the Press Note issued by the Government of India, which states *inter alia* that "the basic minimum fixed by the Government of India under the Petrol Rationing Scheme is not the maximum, and that consumers will find on application to the Area Rationing Authorities that their reasonable demands are met for essential transport, agricultural and industrial purposes."

The Committee had therefore hoped that in pursuance of the policy, as stated by the Government of India in the Press Note, businessmen would thereafter be granted liberal supplies of supplementary rations. The Committee however regret that they have been given to understand that contrary to the principles laid down by the Government of India as stated above, the Area Rationing Authorities have in some cases been treating the basic rations as the maximum while in others supplementary rations which are granted appear to be much below the requirements of businessmen. The Committee have already discussed the whole question in detail in their letter referred to above and they would once again emphasise and reiterate the necessity of Government instructing the Area Rationing Authorities to issue liberal grants of supplementary rations to businessmen.

The Committee have further been given to understand that in Bombay and Ahmedabad all businessmen are being allotted a minimum of 24 gallons of petrol including supplementary rations per month. The Committee are of course, not in a position to say how far this information is correct but they feel that in case it is so, the Government should take early steps to instruct the Area Rationing Authorities in Calcutta to fix the minimum for businessmen in Calcutta also, at 24 gallons per month.

The Committee hope that the Government would kindly give early consideration to the suggestions of the Committee.

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*Copy of letter No. 4849-Com., dated the 2nd December, 1941,  
from the Government of Bengal, Department of  
Commerce and Labour to the Chamber.*

With reference to your letter No. 2270, dated the 21st November, 1941, in connection with the Motor Spirit Rationing Order, I am directed to state for information of your Chamber that the Area Rationing Authorities have already been instructed by Government to meet the reasonable requirements of all essential services. If any person is not satisfied with the allotment made by the Area Rationing Authorities concerned, he may prefer an appeal in writing, explaining the full circumstances of the case, to the Provincial Rationing Authority, Bengal, Writers' Buildings, Calcutta. I am to add that from the very nature of the

scheme, it is obvious that no minimum can be fixed for any large class of consumers.

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#### REQUISITIONING OF MOTOR VEHICLES.

Letter No. 2069 dated the 14th October, 1941, from the Chamber to the Commissioner of Police, Public Vehicles Department, Government of Bengal.

The Committee of the Chamber understand that certain commercial firms have been informed by your department that some of their motor vehicles have been "selected for use by the military during a state of emergency" and that they may be requisitioned on such emergency arising. The Committee further understand that the department has worked out "a scheme for the requisitioning of motor vehicles for use during a state of emergency" and that they would be glad to have further details of the scheme as also the basis for the selection of particular vehicle for emergency use. The Committee take this opportunity to point out that interference with the transport facilities of commercial and industrial concerns would dislocate trade and business and at a time when many of the industrial concerns are engaged on war work, may ultimately affect the war effort also. The Committee shall be glad to have an early reply.

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#### SUITABILITY OR OTHERWISE OF THE TIME OF WORK FOLLOWED AT PRESENT.

*Copy of letter No. 3980(177)-G., dated the 26th April, 1941,  
from the Director of Public Health Department  
Bengal, to the Chamber.*

I have the honour to inform you that a Sub-Committee of the Bengal Provincial Sanitary Board has been formed to investigate and report as to the suitability or otherwise of the time of work followed at present. In order to elicit public opinion on this matter on as broad a basis as is feasible and to enable the Sub-Committee to understand the difficulties and problems involved in it, I would request you to be so good as to go through the enclosed printed pamphlet\* entitled "Time of Work" as well as the printed Questionnaire prepared by the Bengal Public Health Department and return by the 10th June, 1941, the latest one copy of the Questionnaire with your replies thereto item by item.

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Letter No. 1659 dated the 1st/2nd August, 1941, from the Chamber to the Director of Public Health, Bengal.

I am directed to invite reference to your letter No. 3980(177)-G dated the 26th April, 1941, inviting the views of the Chamber on

the question of suitability or otherwise of the time of work followed at present. The Committee of the Chamber have carefully gone through the matter. While the Committee are agreeable in principle that the proposal of changing working hours would be conducive to the output of maximum amount of work, they would point out that a number of difficulties would have to be faced if the period of working hours were changed as suggested in your pamphlet. Firstly, the large number of persons serving in the local offices, who come from the suburbs will be placed to considerable difficulties if they have to attend their offices early in the morning and particularly if they were required again to come in the afternoon. Moreover, the office hours are more or less dependent upon a number of other factors such as timings of delivery of mails, arrival of certain mail trains, working hours for Government offices and law courts etc. etc., and unless a comprehensive scheme is devised to change all these timings and on an all India basis, the Committee are doubtful whether the scheme of merely changing the office hours would be successful. It will be readily appreciated that working hours which may be found suitable in the mofussil, would not be so in an important business centre and port like Calcutta.

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**DISSEMINATING KNOWLEDGE ABOUT NUTRITION VALUE OF FOODS  
AND PRESERVATION OF HEALTH.**

Copy of letter No. 917 dated the 28th April 1941, from the  
Chamber to the Government of Bengal,  
Finance Department.

I am directed by the Committee of the Indian Chamber of Commerce to address you in regard to the necessity of disseminating knowledge in the province among the people about nutrition value of foods and preservation of health, on an organised basis. It is well-known that many of the diseases are the result of malnutrition or due to the disregard of the principles of proper nutrition and hygiene. Apart from the very poor people who are unable to make the two ends meet, most of the people who can afford to pay for balanced diet suffer on account of want of knowledge as to what diet they should take. It is, therefore, very essential that efforts should be made by the Government to spread knowledge among the people in this matter. The Committee feel that for this purpose a well-planned health education campaign should be launched throughout the province, in order to instruct people as to what articles should form their daily menu and as to how they should live so as to prevent themselves and their neighbours from falling a prey to diseases.

The Committee understand that the propaganda which is being carried on at present, does not even touch the fringe of the problem. This, the Committee believe, is mainly due to lack of sufficient funds at the disposal of the Public Health Department of the Government of Bengal. The Committee,



therefore, suggest that a sum of at least Rs. 1,00,000 a year should be placed at the disposal of the Department in order to enable it to carry on propaganda in the matter. The Committee feel that for a big Province like Bengal and considering the extent of diseases in the Province, an expenditure of a lac of rupees a year is the least that should be incurred for such an essential matter.

As regards the nature and form of the propaganda, while the Committee feel that it is for the Government and specially the Public Health Department to chalk out a detailed programme, they would desire to offer some suggestions. In the first place cinema film and magic lantern parties should go round from place to place showing pictures about hygiene, balanced diet etc. It is also felt that while cinema films may be generally used in urban areas, magic lanterns would be more useful in rural areas.

Another centre and in the opinion of the Committee, a very important one for the propagation of nutritional and hygienic matters is the School. If ideas about nutrition and hygiene are infused in children these would take deep root and the habits formed in childhood would continue throughout life. On the contrary, if the habit of taking certain kind of food which might be injurious to health is formed in early childhood, it is very difficult to change the same in latter life. The Committee are, therefore, of the opinion that a scientific dietic system should be placed before the public and should also be propagated for adoption by children so that a habit of good balanced food is formed from the very childhood. As regards the form which the propaganda in schools should take, the committee suggest that it should be through cinema films, magic lanterns, demonstrations, lectures, printed booklets etc. The Committee feel that cinema films would be suitable for high schools and middle schools, while magic lanterns would be more useful in primary schools. Lecturers will also have to be appointed to give a series of lectures in different schools. Besides, small booklets about hygiene and balanced diets may be printed in different languages and introduced in schools.

The third place for imparting health education and doing useful propaganda work in this connection would be "Hats" (rural markets) and Melas. A number of such "hats" and melas are being held throughout the province and a good deal of propaganda work may be done at these places through magic lantern, reciting of poems in gatherings etc.

The Committee therefore request the Government of Bengal to give this matter their careful consideration to direct the public Health Department to draw up a comprehensive scheme and to sanction the necessary amount for launching a province-wide campaign about nutritional and health problems.

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**DISCRIMINATORY TREATMENT ACCORDED TO INDIAN PASSENGERS  
AT THE PORT COMMISSIONERS' FERRY.**

Letter No. 1417 dated the 26th June, 1941, from the Chamber to the Commissioners for the Port of Calcutta.

The attention of the Committee of this Chamber has been drawn to the discriminatory treatment accorded to Indian passengers at the Port Commissioners' ferry plying between Howrah and Calcutta during the hours when the Howrah Bridge is closed to traffic. The Committee learn that on Monday the 2nd June, 1941, when one of the Directors of a respectable Indian firm was returning to Calcutta, he had to cross the river by the Port Commissioners' ferry as the bridge was then closed to traffic. The ferry boat was stationed at the ghat and the entry into the ferry was being supervised by a European Sergeant and a few police constables. The Indian gentleman who was one in the group desiring to board the boat, was refused admission first by the constable and then by the Sergeant on the plea that the boat had been overcrowded for that trip. He was, therefore, asked to wait till the boat returned for the next trip. A few minutes later, however, he found that while he was detained till the next trip, some European and Anglo-Indian passengers who had reached the Ghat much later, were duly allowed to get into the boat and cross the river even though the boat was just leaving the Ghat. When the Indian gentleman drew the attention of the European Sergeant to the matter, the latter had no patience to hear him, and on the other hand, began to be abusive. Moreover, till the ferry boat drew up along the pontoon for the second trip, the Indian gentleman was made to wait near the passage while Europeans and Anglo-Indian passengers were permitted to go beyond the passage and wait for the boat right on the pontoon. When the Sergeant's attention was drawn again to the matter, he became irritated and asked the constables to allow Europeans to go in because "they were his brothers".

The Committee of the Chamber take very serious exception to such distinction and discrimination between Indian passengers and European passengers at the Ferry station, which is meant for the use of all members of the public irrespective of differences in race or colour and emphatically protest against it. The Committee strongly urge that such discriminatory and insulting treatment should be put a stop to immediately and they would be glad if you will kindly enquire into the matter and see that necessary steps are immediately taken so that cases of such impolite behaviour and humiliating discrimination are not repeated.

An early reply as to the steps taken in the matter will oblige.

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DIFFICULTIES EXPERIENCED BY THE EVACUATING PUBLIC  
AT THE HOWRAH STATION.

Letters Nos. 2444—46, dated the 17th December, 1941, from the Chamber to the E. I., E. B. and B. N. Railways.

I am directed to address this communication to you jointly on behalf of the Bengal National Chamber of Commerce, the Indian Chamber of Commerce, the Muslim Chamber of Commerce, the Marwari Chamber of Commerce and Marwari Association whose representatives met at a Joint Meeting on the 11th inst. with Mr. M. A. Ispahani in the Chair when the situation arising out of the war developments in the East was considered. Feelings were voiced at the meeting by representatives of all organisations named above that considerable difficulty was being experienced by the public for want of proper facilities and adequate accommodation for those desiring to leave Calcutta. The declaration of war by Japan has brought Calcutta within the danger zone and it is natural that people would like to send away their families including women and children from this city. While the Chambers appreciate that panic should be avoided in all cases, such voluntary evacuation, particularly of that section of the population which is not actively employed in any kind of work in Calcutta, is desirable from all points of view. In fact, it is in the interests of the Government themselves to arrange and assist such evacuation inasmuch as it would considerably lighten the task of the Government in case of actual air raids occurring. It, however, appears that apart from running two duplicate trains by the E. I. R., not only have the Railways not provided any additional facilities to meet this contingency but even the existing ones of reservation of seats etc., have been withdrawn. It was reported in the press some time ago, before the present emergency arose, that the Government and the Railways had drawn up a special plan of arrangements for evacuation of the civil population in case of necessity but it is regretted that no such arrangements are so far in evidence. The difficulty experienced by the general public in sending their families outside Calcutta have, in fact, increased the panic among the city's population and given rise to all sorts of rumours and speculations. The Chambers have no doubt that the Railway Administration would realise that it is in the interests of everybody concerned that that section of the population whose stay in this city is not necessary should be assisted to leave as smoothly and as early as possible. The Chambers are, therefore, definitely of the opinion that pending the putting into effect of the regular Evacuation Scheme, the Railways should increase facilities of accommodation, booking etc., for the travelling public, in order to meet the rush of passengers. It may also be pointed out that any restrictions imposed in respect of booking accommodation etc., only tend to accentuate panic among the people. It is understood that the detailed suggestions in this respect have already been put forward on behalf of the various Chambers at the Informal Quarterly

Meeting held this morning and I am directed to express the hope that the Railway Administrations would at once do all in their power to meet the emergency which has arisen.

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Joint Communication dated the 18th December, 1941, to the General Manager, East Indian Railway, Calcutta.

I am directed to address this joint communication to you on behalf of the Bengal National Chamber of Commerce, the Indian Chamber of Commerce, the Muslim Chamber of Commerce and the Marwari Chamber of Commerce in connection with the difficulties experienced by the public for want of proper facilities and adequate accommodation for those, particularly women and children, who desire to leave Calcutta on account of the situation arising out of the War developments in the East. Apart from want of sufficient accommodation, considerable difficulties are also being experienced in the matter of booking and reservation of seats. The Chambers understand that so far as the question of providing extra trains is concerned, the Railway is not in a position to do anything beyond what they have already done as they have to conserve their rolling stock for the actual period of emergency when one is declared by the Government of Bengal. The Chambers are approaching the Government of Bengal in this matter but meanwhile, they feel that this question as also the question of other difficulties experienced by the public requires immediate consideration and discussion.

We are, therefore, directed by the various Chambers to request you to kindly convene an emergent meeting of the Local Advisory Committee so that both the public and the Railways may place each one's difficulties before the other and some agreed arrangements may be arrived at. It will be appreciated that the difficulties experienced by the public have given rise to all kinds of speculations and rumours and have also increased the panic. A discussion in the Local Advisory Committee would help in clarifying the situation and would also enable the Chambers to put forward the Railway's point of view before the public.

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#### COMMUNAL RIOTS IN DACCA.

Letter No. 863, dated the 22nd April, 1941, from the Chamber to the Government of Bengal, Home Department.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to address you in connection with the recent unfortunate communal riots at Dacca and the consequent dislocation of business resulting therefrom. The Committee are informed that apart from the considerable loss of life and property, business in the town and its vicinity has been practically brought to a standstill. The unsafe conditions prevailing in the locality have resulted in loss of confidence amongst the business community. While the Government have been adopting some

measures to bring the situation under control, the sporadic rioting which still continues, has particularly shaken the morale of the population and the Committee feel that as long as these are not completely stopped, it will be very difficult to restore normal business conditions. The Committee have, therefore, earnestly to request the Government to take immediate and adequate steps to stop completely the stray cases of assault which are still being reported and to take all possible measures to establish normal conditions so as to restore business confidence.

### CONSTITUTIONAL DEADLOCK.

#### *Press Communique.*

The Committee of the Indian Chamber of Commerce, Calcutta, have issued the following communique in connection with the statement made by members of the Bengal Chamber of Commerce on behalf of British commercial interests on the present constitutional deadlock:—

The Committee of the Indian Chamber of Commerce, Calcutta, have noticed with considerable surprise and regret the communication appearing in the press over the signatures of the President and Members of the Bengal Chamber of Commerce, stating that they consider that the policy embodied in the declaration made by the Viceroy on the 8th August, 1940, "offer India the most effective means of simultaneously advancing her war efforts and her constitutional status within the Empire". The British commercial community in this country can not surely be unaware of the fact that the proposals embodied in this declaration have not found favour with any section of Indian public opinion whatever. The Committee are constrained to observe that the attitude disclosed by the British commercial organisation even at this critical juncture in the history of the British Commonwealth is certainly not conducive to creating the necessary goodwill and spirit of co-operation and partnership between British and India, by resolving the existing deadlock in their mutual interests and for achieving a common objective. Such an attitude can, therefore, be characterised as one of positive disservice to the common cause. Representatives of British commercial interests have time and again declared that they have nothing to do with politics and are only interested in their business but it is obvious that this abstinence from politics consists only in refusing support to the legitimate aspiration of their Indian fellow countrymen but does not come in the way of their taking active steps for the perpetuation of their own privileges and in supporting the

policy of the British Government, however, unsatisfactory and reactionary it might be. The existing commercial safeguards in the Constitution which are all-comprehensive, rigid and unparalleled are a glaring illustration of the length to which British commercial interests in India can go by imposing shackles on the rights and powers of the Indian legislature and Government. The Committee regret to have to say that the British commercial community in India as a whole have not only not been helpful to the constitutional and political progress of the country but have, on the contrary, throughout the last thirty years only tried to hamper, impede and restrict it and have on critical occasions given a wrong direction and lead to their British compatriots and authorities in England. It might be mentioned that even in India to-day at least some leading newspapers under British ownership have been sympathetic and favourable towards the attempts, such as have been made at the Bombay Conference, for solving the present constitutional impasse while even non-party and conservative opinion in England as represented by Sir George Suchester and Sir Stanley Reid have been critical of the negative and unstatesmanlike policy adopted by Mr. Amery which is leading to frustration and dissatisfaction all over the country. It is all the more amazing, therefore, that the Bengal Chamber of Commerce should adopt an attitude which is tantamount to supporting the continuance of the present undesirable *status quo*.

The Committee have further to point out that the opposition of British commercial interests to any plan for rapprochement implies that they object even to an enlargement of the Executive Council of the Governor-General with a view to increased association of Indians and the handing over of portfolios such as defence and finance to Indians of standing and responsibility who can inspire public confidence. The question of Dominion Status or National Government is absolutely outside the purview of this controversy because no such offer has been made by the British Government and the issue on which the British commercial community are opposed to some well-meaning efforts for a new approach is much narrower than the larger demand of the Indian public. The Indian commercial community is not identified with any political party or group but it feels that the present impasse is not only prejudicial to Indo-British relationship but also detrimental to the wider economic interests of both India and Britain and must be speedily and satisfactorily ended.

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## LAW AND LEGISLATION.

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### INDIAN MERCHANDISE MARKS (AMENDMENT) BILL, 1940.—

Letter No. 209 dated the 31st January, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite reference to the Bill, further to amend the law relating to fraudulent marks on merchandise introduced in the Legislative Assembly on the 5th November, 1940, and referred to the Select Committee. The Committee of the Chamber are glad to note that the Government of India are taking steps to revise the Indian Merchandise Marks Act. This Act which was based on the provisions of the corresponding English Law was passed about 50 years ago in 1889. The Committee agree with the remarks in the Statement of Objects and Reasons that since passing of this Act, there has been a large increase of imports into the country and a very substantial development of industries in India. In 1928, while submitting their views on Mr. K. C. Neogi's Bill to amend the Act, the Committee of the Chamber had strongly supported the proposed amendments. In 1937 also the Committee welcomed the move when the Government of India circulated their memorandum for amending this Act. The Committee had also submitted a detailed representation to the Government in 1938, commenting on the Report on "Certain proposals for the revision of the Merchandise Marks Law" submitted by Mr. R. K. Nehru, I.C.S., Officer on Special Duty, Department of Commerce, and they are glad to note that most of the suggestions made by the Chamber at the time have been incorporated in the present Bill. The Committee have to submit their remarks on the provisions of the Draft Bill as under:—

This clause proposes to substitute a new section for the existing section 12. The new section provides that in addition to the stamping of the length on each piece the name of the manufacturer or of the wholesale purchaser should also be marked on it. Sub-section 2 thereof extends the above marking requirements to cotton yarn manufactured in British India by providing for the compulsory marking on each bundle of yarn of the name of the manufacturer or the wholesale purchaser, the weight of the bundle and the counts of yarn contained in the bundle. While the Committee are glad to note that marking of width and also of the name of the manufacturer at reasonable lengths on each piece, as previously proposed, have been omitted, they would point out that it is not clear if the weight to be stamped on the bundle relates to the net weight of yarn in the bundle or the gross weight of the bundle. This should be made clear in the Rules proposed to be made under the new sub-section 1(a) of section 20.

This clause proposes a new section 12(a) providing that the Central Government may, by notification

**Clause. 8.**

in the Official Gazette, require that goods of any class specified in the notification which are made or produced beyond the limits of British India and imported into British India or which are made or produced within the limit of British India shall from such date as may be appointed by the notification, not being less than three months from its issue, have applied to them an indication of the country or place in which they were made or produced. Sub-section 3 of the new section provides that no notification under this section shall be issued unless an application is made for its issue by persons or associations substantially representing the interests of dealers in or manufacturers, producers or users of the goods concerned or unless the Central Government is otherwise convinced that it is necessary in the public interest to issue the notification nor without such enquiry as the Central Government may consider necessary. While the Committee of the Chamber are completely in agreement with the object of this provision which is to prevent foreign goods being passed off as Indian, they believe that it can be secured only if immediate action is taken to check such imports. Before the formalities of an application and an enquiry by the Government and a notification are over, large quantities may be imported into the country and the very object of this provision may be defeated. The Committee are, therefore, firmly of the opinion that instead of leaving it to the discretion of the Central Government, it should be definitely provided in the Act that all goods imported into the country, should bear a clear indication of the country of origin and that the Central Government may only specify such goods which may not bear such marks. Such specification should be confined to such goods only as by their physical nature do not admit of the indication of the country of origin being given thereon. The Committee feel it is very essential that such a provision should be made if the main object of the amending Bill is to be secured.

The Committee are glad to note that, as suggested by them, a provision has been made in the proposed section 7(a) about penalty for any attempt to tamper with or deface a stamping required under the provisions of this Act.

The Committee would also emphasise that arrangements should be made with Indian States particularly Indian Maritime States to ensure that the requirement about stamping of the country of origin is observed in cases of goods directly imported by those States otherwise there is a possibility of foreign goods being brought into British India through Indian States with a mark falsely showing that the goods were manufactured in that particular State.

The Committee trust the suggestions made above will receive careful consideration.

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## MADRAS PORT TRUST (AMENDMENT) BILL, 1941.—

*Copy of letter No. 302(12)-Mne. dated the 21st May, 1941, from the Government of Bengal, Department of Commerce and Labour, Marine—to the Chamber.*

Subject:—Madras Port Trust (Amendment) Bill, 1941.

I am directed to forward herewith a copy each of the Madras Port Trust (Amendment) Bill, 1941, extract from the Legislative Assembly Debates, Volume II No. 2 and of the notification by the Legislative Department of this Government, No. 3T.L., dated the 10th May, 1941, for the information and an expression of an opinion of your Chamber on the bill if any. The views may be communicated to this Department not later than the 5th June, 1941, at the latest\*.

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Letter No. 1262, dated the 6th June, 1941, from the Chamber to the Government of Bengal, Department of Commerce and Labour.

I am directed to refer to your letter No. 302(12)-Mne., dated the 21st May, 1941 inviting the views of the Chamber on the Madras Port Trust (Amendment) Bill, 1941, which has been circulated by the Government of India for eliciting opinion thereon. The Committee of the Chamber have carefully considered the provisions of the Bill and they are glad to note that the Government of India have taken action to revise the constitution of at least one Port Trust in the country. The Committee would recall in this connection that this Chamber along with the Federation of Indian Chambers of Commerce and Industry has been pressing since a long time for a revision of the constitution of the major Port Trusts in the country, with a view to accord increased representation to Indian commercial interests on the Boards of the Trusts in recognition of the increasingly important position which such interests have come to occupy in the trade passing through the Ports. As the Government are aware, the administrations of the major Ports in India are being conducted under obsolete Statutes passed, in some cases, more than half a century ago. Although the conditions in the country, both in the political and the economic sphere, have considerably changed since these Port Trust Acts were enacted, the Port Administrations under these statutes which have ensured a large majority for European commercial interests on them, have been allowed to continue. Although the demand for an early revision of the Port Trust Constitutions has been continually made since a number of years, all over the country, it was contended that on account of the war exigencies, a revision of the Port Trust Acts could not be undertaken at present. The Committee are, therefore, interested to note that these exigencies have not prevented the Government

from undertaking the revision of the constitution of the Madras Port Trust.

Although the revision of the Port Trust Acts has been long overdue, the Committee would point out that the proposals now put forward by the Government for the revision of the Madras Port Trust Act are not satisfactory. As the Government are aware, the public and the Indian commercial community have always insisted that important public bodies like the Port Administrations should be entirely under the control of the nationals of the country. The Committee would state that the ports are not only important as channels through which the foreign trade of the country passes, but they also constitute, as has been evinced on numerous occasions in the present war, the front-line of national defence. The principle, therefore, that the Port Administrations should be governed by the nationals of the country has been recognised on all hands. Moreover, as the Government will appreciate, the development of the import and export trade of the country, upon which national economy is based, is dependent to a considerable extent upon the policy pursued by the Port Administrations. The Committee would also point out here that some of the major Port Trusts have large annual revenues which can be compared to the revenues of some of the Provinces of the country. The Port Trust Boards, therefore, necessarily enjoy extensive powers of patronage by way of appointments as also purchase of stores etc. Being composed as they are, that is mainly of non-Indians, the policy pursued by many of the Port Trust Administrations in the country has been hardly such as to be conducive to wider national economic interests and the rights and claims of duly qualified nationals of the country for service under the Port Trusts have often been overlooked and ignored. The Committee do not propose to enter here into details of such instances which have been brought to the notice of the Government from time to time but they feel that this is a natural consequence of the permanent and statutory majority of British commercial interests on the Port Trust Boards. As the Hon'ble Sir Andrew Clow himself has acknowledged, commercial interests "are divided into different bodies and some of these are predominantly European and naturally, therefore, tend to reflect the attitude of the European commerce".

The Committee of the Chamber are not prepared to accept the principle laid down by the Hon'ble Member for Communications, while introducing the Bill that the representation of commercial interests on the Port Trusts should roughly be on the basis of the direct interest in the import and export trade of the Port, of such interests. However, even assuming this principle for the time being, the Committee would point out that the proportion of representation proposed to be granted to Indian commercial interests under the Bill is entirely inadequate. As the Government must be aware, Indian dealers and traders have come to handle an increasing portion of the trade at the major ports. The proportion of trade handled by Indian and European

communities respectively when the Port Trust Acts were enacted has completely changed. This was evident, for instance, from an enquiry recently undertaken at Calcutta at the instance of the Government themselves. Out of the total trade of about Rs. 140 crores at Calcutta, Indian commercial interests were found to represent not less than Rs. 66 crores. Moreover, another important factor to be kept in view in this connection is that many of the British firms really function only as middlemen and the bulk of the trade really emanates from Indians and is also meant for Indian importers. As was pointed out, in this connection, in the Legislative Assembly some time back, the Customs figures show a large portion of the trade in the name of the European dealers but really 75 percent, if not the whole, of the same is on behalf of Indian importers. This position arises because most of the overseas merchants cannot directly deal with small Indian importers but prefer to deal only with certain European firms who act on behalf of a large number of small importers. Large consignments, therefore, registered with the Customs in the name of European firms are really imported on behalf of Indian merchants and "the moment the goods arrive, the necessary bill of lading is transferred to the Indian merchant". If the figures of trade represented by European dealers and Indian dealers are, therefore, calculated merely on the Customs entries, they are sure to give a misleading idea of the existing position. The Committee consequently feel that the proposal under the Bill to grant equal representation to Indian and European commerce, *i.e.*, 4 seats to each of them is hardly equitable. As a matter of fact, the Committee learn that 75 percent of the export trade and not less than 90 percent of the import trade at the Port of Madras is handled by Indian merchants. Even on the basis of the principle laid down by the Hon'ble Communications Member, it is, therefore, necessary that Indian commercial interests should be granted more representation than is proposed under the Bill.

The Committee would further point out that though the Bill seeks to give equal representation to Indian and European commercial interests, the net result of the arrangement will still be that a European majority on the Madras Port Trust Board will be ensured. This will be due to ex-officio representation being granted on the Board to the Railways and the Customs which are generally represented by Europeans. The Committee, therefore, fail to see how the anomalous position of the nationals of the country, despite their handling a major portion of the trade at the Port, being always subordinated to an European majority on the Port Trust Board, has been remedied by the Act.

As regards the details of the Bill, the Committee of the Chamber are not concerned with any particular Association or Chamber of Commerce because they are not very conversant with the conditions prevailing in Madras nor with the relative strength

and precise importance of the respective bodies. However, they are definitely of the opinion that it is not advisable, as a rule, to grant representation on the Port Trust to sectional organisations. The Committee fully endorse the view expressed by the Hon'ble Communications Member in this connection that it is ordinarily desirable to avoid representation to specific branches of commerce on the Port Trust and that all such sectional associations should be represented only through the recognised Chambers of Commerce.

As mentioned before, the Committee are glad to note that the exigencies of the present situation have not deterred the Government from proceeding with the reform of the Madras Port Trust constitution which was long overdue. They would, however, emphasise the necessity of an early revision of the constitutions of the other Port Trusts also including Calcutta where the Indian element at present is in a very small and ineffective minority. The Committee of the Chamber have on various occasions drawn the attention of the Government to the anomalous position as regards representation of Indian commercial interests on the Calcutta Port Trust and have requested the Government to remedy the same at an early date. They hope that the Government would soon introduce amending Bills for the revision of the constitutions of other major Port Trusts.

The Committee trust the observations made above would receive your careful consideration.

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**WORKMEN'S COMPENSATION (BENGAL AMENDMENT) BILL, 1941.—**

Letter No. 937, dated the 1st May, 1941, from the Chamber to the Indian Insurance Companies Association, Calcutta.

The Government of Bengal intend to introduce in the Provincial Legislature a Bill to amend the Workmen's Compensation Act, 1923, in its application to Bengal. The object of this Bill is to provide for the appointment of Official medical referees to whom any medical questions in dispute between employers and workmen may be referred by the Commissioner for Workmen's Compensation for report and whose report shall be binding on both parties. This measure is intended to do away with the usual practice of calling in private medical practitioners by both employers and workmen to give verbal evidence on the points under dispute and the necessity of engaging medical assessors by the Commissioner for Workmen's Compensation. The Government expect that the measure will considerably decrease the expenditure on both sides and shorten considerably workmen's compensation proceedings. I am enclosing herewith an extract from the Bill giving the relevant clauses 3 and 4 of the same. I shall be glad if you will kindly let me have your views on the same, if any, at an early date.

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PROPOSED AMENDMENT OF SECTION 277F OF THE INDIAN COMPANIES' ACT—DEFINITION OF BANKING COMPANIES.

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Copy of letter No. 2194, dated the 6th November, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to invite reference to your letter No. 24(3)-Tr. (C.L.)/41, dated the 9th October, 1941, forwarding a copy of your letter to the Provincial governments regarding Part X-A, of the Indian Companies Act, 1913, "Banking Companies", and inviting the views of the Chamber on the same.

The Committee note that owing to the difficulties experienced about the interpretation of the definition of "Banking Companies", given in Section 277F of the Indian Companies Act, 1913, as to whether or not a company is a "banking company", the Government propose to amend Section 277F by inserting an explanation to the effect that any company which uses as part of its name the word "bank", "banker" or "banking" shall be deemed to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order is its principal business or not. The Committee have considered the proposed Amendment and they are agreeable to the same.

They would, however, point out that the amendment would make it necessary for companies who do not consider that they are banking companies to change their designation. Section 11(4) of the Indian Companies Act, 1913, provides in this connection that any company may by special Resolution and subject to the approval of the Central Government signified in writing, change its name. The Committee are aware that the date from which this amendment will come into force, will be fixed by the Government so as to allow sufficient time to companies who desire to change their name. It is, however, essential the Committee feel that some simple procedure should also be prescribed for enabling the companies to change their name. Moreover, the approval of the Central Government required under Section 11(4) of the Indian Companies Act, 1913, should also be granted immediately so as to avoid unnecessary delay.

The Committee trust the suggestion made above would be found acceptable by the Government.

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BILL TO PROVIDE FOR GRANT OF WEEKLY HOLIDAYS TO PERSONS EMPLOYED IN SHOPS, COMMERCIAL ESTABLISHMENTS, RESTAURANTS, THEATRES, ETC.

Letter No. 189, dated the 28th January, 1941, from the Chamber to the Government of Bengal, Department of Commerce and Labour.

I am directed to invite reference to your letter No. 3836(36)-Com., dated the 29th November, 1940, regarding the Draft Bill

prepared by the Government of India to provide for the grant of weekly holidays for persons employed in shops and commercial establishments, restaurants and theatres. The Committee note that the proposed Bill will be an all India Legislation, which, if applied, will be in addition to the provincial measure and not in derogation of it. The Committee have considered the provisions of the Draft Bill and have to submit their views as under :—

Clause 3 of the Bill provides that every shop and commercial establishment shall remain entirely closed on Sundays or on such other day of the week in lieu of Sunday as in respect of such shops or commercial establishments, "may be fixed by the Provincial Government by special order". The Committee would suggest that instead of the Government fixing a particular day as holiday it would be better if it is left to the option of the shop-owner or the proprietor of the commercial establishment to close the shop or the establishment on any particular day each week. In the Bengal Shops and Establishments Act, the provision in this connection is on such lines and the same is very convenient and the Committee feel that clause 3 of the Draft Bill should also be amended accordingly.

Clause 5 of the Bill proposes that the provincial Government may require in respect of shops and commercial establishments or any specified class of either or both that they shall be closed at 1 O'clock in the afternoon of the week day in every week in addition to the full day holiday provided for. The Committee feel that instead of requiring shops, commercial establishments, theatres and restaurants etc., to close at a particular time, that is, 1 O'clock in the afternoon for the half day holiday option should be left to the Proprietors in the matter so that they may close their establishments for half day either during the first half of the day or during the latter half. They are further of the opinion that an option should also be given to the proprietors of these concerns either to close the establishments altogether for the half day or to work full day with half the complement of employees each shift. The purpose of the Act is to enable employees to have a certain period of holiday and this would be amply served by such a provision, as one half of the employees may be given leave during the first half and the other half during the latter part of the day, without at the same time making it compulsory for the owner to close his concern. The Committee trust that the suggestions made above will receive careful consideration.

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#### DRAFT RULES UNDER THE BENGAL SHOP AND ESTABLISHMENT ACT.

Letter No. 490 dated the 26th February, 1941, from the Chamber to the Government of Bengal, Department of Commerce and Labour.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite reference to your Notification

No. 64-Com. dated the 7th January, 1941, regarding Draft Rules which the Government propose to make under the Bengal Shops and Establishments Act, 1940. The Committee have considered the proposed Rules and have to submit the following observations thereon.

This Rule lays down the method of inspection and provides that the Inspector shall, if he finds during his inspection, deviations from the provisions of the Act or the Rules, pass orders or make recommendations for remedying or removing these defects. The Committee of Chamber feel that the powers proposed to be granted to inspectors to pass orders are beyond those contemplated in Section 16 of the Act, which does not empower the Inspectors to pass any orders.

This Rule proposes *inter alia* that all registers to be maintained under these rules shall be in English or in Bengali, Urdu or Hindi and all dates entered in the register shall be in accordance with English calendar. The Committee feel that it would greatly facilitate the employers, if they are allowed to make entries of dates in the registers in accordance with the calendar which they observe for keeping their accounts.

Rule 11 proposes that every employer shall maintain a register in Form (C) showing the leave allowed and the overtime work done by the persons employed for the whole year separately for each employee. The Committee would, however, point out that section 13 of the Act, which provides for wages for overtime work does not apply to commercial establishments and the first part of Form (C) relating to "number of hours of overtime work" and "additional wages due", is therefore superfluous as far as commercial establishments are concerned. Similarly, in Form (D) under Rule 12 also some of the columns are not necessary for employers in commercial establishments. The Committee would, therefore, suggest that Forms (C) and (D) should be accordingly modified.

This Rule provides that no part of the privilege leave earned by a person employed in shops, commercial establishments or establishments for public entertainment or amusement shall be allowed to lapse. It also provides that the leave shall be granted within the first three months following the 12 months during which the leave has been earned, if the employee does not wish to accumulate and wishes to go on leave or if the leave has been accumulated, it shall be granted within the first three months following the 24 months during which the leave has been earned. The Committee would point out that the proposed provisions exceed the facilities for leave envisaged in section 12 of the Act and the Rule should, therefore, be modified accordingly.

The Committee trust the suggestions made above would receive your careful consideration.

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DEFINITION OF 'SHOP' IN BENGAL SHOPS AND  
ESTABLISHMENTS ACT, 1940.

Letter No. 987, dated the 6th/7th May, 1941, from the Chamber  
to the Government of Bengal, Department of  
Commerce and Labour.

*Re: Definition of Shops under the Bengal Shops and  
Establishments Act, 1940.*

I am directed to refer to the definition of the word "Shop" given in sub-section 12 of section 2 of the Bengal Shops and Establishments Act, 1940. The definition of shop as given in the sub-section includes "premises used wholly or in part for the wholesale or retail sale of commodities or articles either on cash or on credit". While the definition further excludes specifically commercial establishments from being classed as shops, it may be pointed out that the present definition of shop is wide and leaves room for doubt as to whether certain establishments would be classed as shops or commercial establishments. The obvious distinction between a shop and a commercial establishment is, so far as the Committee can see, that whereas such places where goods are stocked for the purposes of sale and delivery would be classed as shops, the rest of the commercial concerns would be treated as commercial establishments. As the present definition of shop, however, does not make any reference to stocks, the position appears to be doubtful and the Committee would, therefore, request the Government to take steps to amend the definition of shops so as to include only such places where goods are actually stocked for the purpose of sale whether retail or wholesale, and for delivery therefrom. It should also be made clear that keeping of samples only should not bring an establishment under the category of a shop.

The Committee would be glad to have an early reply.

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*Copy of letter No. 3435-Com. dated the 26th August, 1941, from  
the Assistant Secretary to the Government of Bengal,  
Department of Commerce and Labour  
to the Chamber.*

Subject:—The Bengal Shops and Establishments Act, 1940  
Definition of "Shop".

With reference to your letter No. 987 dated the 6th/7th May, 1941, on the above subject, I am directed to say that



Government consider the definition of "Shop" under section 2(12) of the Bengal Shops and Establishments Act, 1940, satisfactory for practical purposes and that premises used merely for the storage of goods or stocks or for samples do not in opinion of Government constitute shops.

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PRIVILEGE LEAVE UNDER THE BENGAL SHOPS AND  
ESTABLISHMENTS ACT, 1940.

Letter No. 2101, dated the 24th October, 1941, from the Chamber  
to the Government of Bengal, Department of  
Commerce and Labour.

I am directed to invite reference to Section 12 of the Bengal Shops and Establishments Act, 1940, which provides that "after every twelve months' continuous employment" an employee in a shop, commercial establishment or establishment for public entertainment or amusement shall be entitled to "privilege leave on full pay for a total period not exceeding fourteen days". It is, however, not clear as to whether the twelve months period of 'continuous employment' is to be taken from the date on which the Act came into force *i.e.*, 1st April, 1941, or from the date of employment in the case of each employee.

I shall, therefore, be obliged if you will kindly let me know the considered opinion of the Government in this matter.

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*Copy of letter No. 4868-Com. dated the 3rd December, 1941,  
from the Government of Bengal, Department of  
Commerce and Labour, to the Chamber.*

Subject:—Privilege leave under section 12 of the Bengal Shops and Establishments Act, 1940.

With reference to your letter No. 2257, dated the 19th November 1941, regarding above, I am directed to say that under section 12 of the Bengal Shops and Establishments Act, 1940, an employee earns 14 days' privilege leave on full pay on the 1st April, 1942, *i.e.*, after 12 months' continuous employment from the date of coming into force of the Act. There is, however, no objection to the grant by mutual arrangement of such leave in broken periods or in advance against leave to be earned by subsequent service. Employees who were already in service before 1st April 1941, may also be allowed the benefit of any leave which they might have earned under the rule or practice in force prior to the coming into force of the Act.

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## FINANCE

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### BUDGET PROPOSALS OF THE GOVERNMENT OF INDIA FOR THE YEAR 1941-42.

Letter No. 579 dated the 10th March, 1941, from the Chamber to the Government of India, Finance Department.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite reference to the Budget Proposals presented by the Hon'ble the Finance Member in the Legislative Assembly on the evening of the 28th February last. The Committee of the Chamber have carefully considered the proposals in the light of the observations made by the Hon'ble Member and they have to offer the following remarks on the same.

The important features of the Budget are a net deficit of Rs. 542 lacs in the current year and a prospective deficit of Rs. 2,040 lacs in 1941-42; fresh taxation to the extent of Rs. 661 lacs, leaving uncovered a deficit of Rs. 1,385 lacs for 1941-42 together with the net deficit of Rs. 542 lacs for the current year to be met by borrowing; and, a Defence Budget which is estimated to amount to Rs. 8,413 lacs in 1941-42 as compared to the revised estimate of Rs. 7,202 lacs during 1940-41 and about Rs. 4,500 lacs in a normal year. The fresh taxation proposals include increase in the Excess Profits Tax from 50 to 66  $\frac{2}{3}$  percent yielding Rs. 250 lacs, and increase in the central surcharge on Income-tax and supertax from 25 to 33  $\frac{1}{3}$  percent yielding another Rs. 190 lacs from taxes on income. The excise duty on matches is proposed to be doubled with a corresponding increase of duty on imported matches and an increase from 3 to 5 annas per pound is proposed in the duty on artificial silk yarn and thread. An excise duty of 10 percent *advalorem* is also proposed to be levied on pneumatic tyres and tubes.

At a time like the present, military considerations are no doubt bound to influence the finances of the Government to an appreciable extent. The defence expenditure which even at normal was admittedly at a very high level considering the general economic development of the country, has almost been doubled during the last two years. While there is no doubt that in the absence of popular control or check on defence expenditure, the Indian public has no means to judge whether all such expenditure has been justified or has been incurred in the best interests of the country, what the Committee are more concerned with here is the effect of the increased military expenditure on the general Budget, that is, the manner in which the Finance Member has proposed to cover this increase. Ever since the war started in September, 1939, the Indian taxpayer in general, and the commercial community in particular, have been burdened with increasingly heavy taxes, both direct and indirect. It is estimated that during this  $1\frac{1}{2}$  year, the burden of taxation has already been increased

by about Rs. 25 crores. Even after the heavy taxation already levied by the Government, the Finance Member has to provide, as pointed out above, for a sum of about Rs. 26 crores being the estimated net deficit for the current and the coming years. As against this sum of about Rs. 26 crores, the Finance Member has proposed to raise about Rs.  $6\frac{1}{2}$  crores—Rs. 661 lacs to be exact—by further taxation. A major portion of this taxation is to be realised by raising the rate of the Excess Profits Tax and of the surcharge on Income-tax and Supertax. Confining their observations for the time being on the proposed increase in these two taxes both of which are very wide in their ramifications and affect all trade and business, the Committee note that the Finance Member expects to obtain as additional sum of about Rs. 440 lacs from these sources. The Committee would, however, like to point out that if the Hon'ble the Finance Member had recommended due economy in the Civil expenditure of the Government of India, the need for raising this comparatively small sum of Rs. 440 lacs would not have arisen at all. It is to be greatly regretted that while the taxpayer has been burdened with enormously increased taxation ever since the war started, the Government of India far from taking any steps to reduce their own top-heavy administrative expenditure have, on the contrary, been increasing it. In his Budget speech the Finance Member has emphasised the desirability of an "even more intensive mobilisation of the country's savings", but it is deplorable that he had not deemed it proper to recommend any economy in expenditure in the various Government Departments or to agree to the suggestion to associate non-official Indians with the spending Departments particularly to keep scrutiny over the large amount of extra expenditure being incurred on account of the war. While the Committee are aware that the enormous increase in military expenditure since the outbreak of the war could not have been met by effecting economy in Government's civil expenditure, they believe that before imposing fresh and heavy burdens on the general taxpayer, the Government of India should have taken adequate steps for effecting all possible economy in their administrative expenses. The Committee do not desire to repeat the old argument that the salaries of the civil services in India are the highest in the world, particularly when seen in proportion to the national income but they strongly feel that the Government of India should have taken some steps to reduce their own expenditure. On the contrary, at least with regard to one particular department of the Government of India namely the Department of Supply, there has been a strong and wide-spread feeling that the Government of India have been too liberal in the creation of new posts and in regard to both initial salaries and salaries on promotion. As the Finance Member himself remarked in his speech, "a substantial share of the new expenditure included in the Budget is on account of the Department of Supply, which has continued to expand throughout the year to meet the ever-growing demands". The Committee take this opportunity to point out that whereas ordinarily the Department of Supply

should have been able to meet its own costs by earning commission on war supplies, it is regrettable that even the charging of this commission for war supplies effected through the Supply Department to the U. K. Government has been discontinued. Replying to a question put by the Hon'ble Pandit Kunru in the Council of State on 4th March, 1940, the Hon'ble Mr. Dow stated on behalf of the Government of India that "the Department, however, levies departmental charges on all supplies to overseas authorities including His Majesty's Government. There is no reason to suppose that these charges will not completely cover the cost of the work done on behalf of His Majesty's Government and indeed the charges, if necessary, be adjusted so as to ensure that the cost is fully covered." The Committee regret that this assurance has not been acted upon by the Government and they feel that saddling the Budget of the Government of India with all the expenses of the Department of Supply is unjustified and unfair.

Apart from economy and retrenchment in expenditure, however, the Committee of the Chamber feel that revenue has also been underestimated in certain cases. At the time of the last Budget also, the Committee of the Chamber had occasion to point out that the Finance Member had underestimated receipts from some of the heads of revenue like Income-tax, E. P. Tax etc. This year, though he has raised the estimate of yield from ordinary Corporation tax and income-tax by approximately  $\frac{1}{2}$  crore to Rs. 21 $\frac{1}{2}$  crores, the Committee feel that the receipts from this head are still appreciably under-estimated. Similarly, he expects the surcharge to produce Rs. 568 lacs and the yield from E. P. Tax for the year 1941-42 is estimated at Rs. 8 $\frac{1}{2}$  crores including the carryover of one crore from the current year. Particularly this estimated realisation of rupees 1 crore only from the current year's E. P. Tax realisation is a gross under-estimate and the actual realisation under this head when this year's assessments are complete is bound to show a substantial increase. Although the Committee would refrain from commenting on the allowance of a further drop of Rs. 3 crores under customs revenue, they believe that the salt revenue is likely to show an increase of more than Rs. 60 lacs in the coming year. In the explanatory memorandum, however, the following figures are given with regard to the total consumption of salt on which the estimated revenue is based:—

1939-40 (Actuals)	...	...	55,348,000 Maunds.
1940-41 (Budget)	...	...	52,000,000    ,,
1940-41 (Revised)	...	...	53,000,000    ,,
1941-42 (Budget)	...	...	50,000,000    ,,

It is obvious that the Budget figure of salt revenue is based on consumption which has been under-estimated, inspite of the Finance Member's own admission that "with the utilisation of the large stocks carried over from last year, we can count on the usual demand for fresh supplies next year".

The Committee, therefore, strongly believe that if the Finance Member had recommended economy in the civil expenditure of the Government and had estimated receipts from revenue at their proper level, the necessity of providing for additional burden on trade and industries in general in order to raise a sum of Rs. 440 lacs would not have arisen. Assuming, however, that the Finance Member did require this additional sum, the Committee have to submit that when the Finance Member has already budgeted for raising about Rs. 19½ crores by borrowing in order to cover the deficit upto the end of the year 1941-42, he could have easily avoided taxing further the already heavily taxed industries and trade. It may be pointed out that, as admitted by the Hon'ble the Finance Member himself in his Budget speech, the response to his borrowing programme has been very good. The total receipts from the various Defence Loans during the last 8 months have already amounted to over Rs. 50 crores. It is not unreasonable to expect that instead of further increasing the burden of taxation the Finance Member could have easily managed to meet the small additional sum of less than Rs. 4½ crores either out of his total borrowings of Rs. 70 crores or even by increasing these from Rs. 70 to 75 crores.

There is no doubt that the increase in the E. P. Tax and in the surcharge on Income and supertaxes will operate in a manner so as to retard seriously the industrial development of the country. The Finance Member has sought to make out a case for the proposal by saying that the main economic advantage which is derived from India's war supply activities accrues to the industrial and commercial sections of the country, and the direct taxpayer may fairly be called on to shoulder the larger share of any further burdens which are to be imposed. He has also referred to the "important modifications which were made in the clauses of the Excess Profits Tax Bill dealing with the optional standard periods and also the special provisions for new industries and for such matters as abnormal depreciation". The Committee of the Chamber would, however, point out that all the industries in the country are not supplying war needs. It is a mis-statement to say that war supplies have benefitted all the industries and trades of the country and they are, therefore, well in a position to bear the burden. The burden of Income-tax, the Committee would point out, has increased from Rs. 14.58 crores in 1937-38 to the estimated amount of Rs. 40.08 crores in 1941-42. In a country like India which is not yet fully developed economically, such an increase in direct taxation can not but be considered out of proportion with the ability to bear and as a great handicap in the way of the speedy growth of industrialisation. The Committee feel that it is essential in the interests of national economy that the Finance Member should not tap the same source of income over and over again. Moreover, apart from Central taxation, the industries have to face various other provincial and local taxes. Such a general tax on industries, therefore, tends to sap the incentive for indus-

trial enterprise. Moreover, there is little direct encouragement from the Government for the establishment of new industries. It is felt, therefore, that the present opportunity in which the country could well have made itself self-sufficient in all her vital industrial needs has not been adequately and fully utilised. The aim which the Government of India have kept in view has been to promote only those industries which would supply their essential war requirements and to obtain the necessary raw materials for the same, as also for consumption in the United Kingdom, as cheaply as possible. The Committee can not help observing that when various other units of the Empire are proceeding with well-established plans for developing their vital industries and are experiencing a wave of prosperous business and industrial conditions, in India prices have not shown any buoyant tendency but have remained depressed, stocks have accumulated and her large export trade has been gradually reduced. The commodity prices as given in the "Capital" of February 27th would show that practically in all items the present prices show a decline from what they were in the week ending 7th February, 1940. The latter date, the Committee would remark, does not fall in the period of "hectically inflated prices" but by that date the prices had settled down and the price control measures were well in hand. The Committee are further surprised to find that the Hon'ble Finance Member has tried to draw a cheerful picture of the economic conditions in the country in the opening part of his Budget Speech. The Hon'ble Member says that "the development of new export markets very largely compensated for the loss of old ones". The Committee would point out that it is known on all hands that the present exports represent mainly the war supplies to the United Kingdom and that the factor of comparatively higher prices prevalent for some of these articles has contributed mainly to swell the figure. The Finance Member has further stated that the prices as a whole are still some 15 percent higher than they were at the beginning of September, 1939, and those of certain commodities, e.g., the raw materials, are considerably higher. The Committee need hardly point out that if India had sufficient shipping facilities by having her own mercantile marine, the commodities now accumulated in the country and the new crops of which are being largely restricted, would have fetched a much higher price even in the permissible markets. The Finance Member has also referred to the indices of Railway traffic and postal receipts reflecting an improvement over post-war conditions. The Committee would point out that a large part of the Railway traffic represents the movement of war supplies. As regards postal receipts, the Finance Member himself said in his Speech that the "large revenue is almost wholly due to the effect of the increases in rates", and that the Government traffic has contributed substantially to the postal surpluses.

The Finance Member has also referred to the beneficial effect of the growing war effort upon the volume of employment

and therefore upon the size of the national income. The Committee of the Chamber believe that such conclusions from the present industrial activity which is confined only to war needs and in which the essentials of a planned policy are absent are unwarranted.

The Committee of the Chamber are, therefore, strongly opposed to the proposal to increase the Excess Profits Tax and the surcharge on Income-tax and super-tax. The doubling of the Excise Duty on matches is also likely to prove a great hardship on the masses unless some method is devised to prevent the additional burden being passed on the consumer. As regards the proposed excise duty on pneumatic tubes and tyres also, it is suggested that while the Government should carefully watch the situation and take steps if and when necessary, to prevent dumping of imported goods, they should also see that the increased charge is not passed on in the shape of higher prices to consumers. Such increase is bound to affect detrimentally the road transport of the country which is already handicapped by high prices of petrol and of motor accessories etc.

The Committee trust that the Government of India would kindly take into consideration the observations made above.

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#### PROPOSALS FOR FURTHER TAXATION.

Letter No. 2002 dated the 6th October, 1941, from the Chamber to the Government of India, Finance Department.

The Committee of the Indian Chamber of Commerce, Calcutta, have learnt with serious concern the report that the Government of India have under consideration at present certain proposals for additional taxation and that they propose to introduce the same in the next Autumn Session of the Central Legislative Assembly. The Committee have no knowledge of the nature of the proposals the Government envisage but they presume the Government might be contemplating an increase in some form of direct taxation. The Committee would, however, like to point out that since the declaration of the war, the burden of taxation both direct and indirect, on the Indian tax-payer has been steadily increasing. During the two years that the war has continued, the burden of taxation has already increased by more than rupees twenty-five crores. This is largely derived from the increased income and super-taxes, the Surcharge and the Excess Profits Tax. Although it is generally supposed that these taxes are paid mostly by businessmen *i.e.*, by trade and industries, the Committee would point out that in actual practice they tend to operate as direct taxes on commodities. It is obvious that the manufacturer and the dealer invariably try to pass on the tax to the consumer. The general impression in the mind of the public is that the Excess Profits Tax affects the business community only or rather the more prosperous

section of the same. It will be interesting in this connection to mention that the effects of the Excess Profits Tax in England during the last war were analysed by a Committee appointed by the British Government and they reported as under:—

“The Excess Profits Duty was a well-intentioned tax, but unfortunately it gave rise to very unexpected evils, under conditions of scarcity. Generally speaking, it was passed on to the consumer; but became an indirect tax on commodities. Whilst scarcity conditions remained, and until the slump in trade, it was the practice of manufacturers and traders, in fact, of all who were likely to be subject to the tax, to fix the selling price of goods they offered for sale at such an amount as would yield them a substantial net profit after payment of Excess Profits Duty. In connection with this matter, the Report (CMD. 858, p.4) of the Committee appointed to investigate the prices, costs and profits of the manufacture of Yorkshire Tweed cloths contained the following statement: In practice we find that the Excess Profits Duty is added by manufacturers to the prime cost of the article and is an important factor in putting up prices”.

Ultimately, therefore, the entire burden of increased taxation has necessarily to be borne to a large extent by the consumer. The Committee would further point out that any new proposal for taxation should take cognisance of the ability of the taxpayer to pay the same. The Committee of the Chamber have serious doubts about the capacity of the Indian Tax-payer to shoulder additional burdens of taxation. They would point out that the so-called prosperity of the country which has been proclaimed in authoritative quarters and which is assumed in any fresh proposals of taxation does not, in fact, exist. The Committee do not desire to give details here about the meagre *per capita* consumption of various articles in the country. They would, however, point out that the number of assesseees in the country alone, which is about 1/10 of one percent of the total population would indicate how few persons there are in the country who are capable of earning the minimum taxable income. The national income *per capita* is hardly Rs. 4/- per month. These are definitely not signs of prosperity and the Committee of the Chamber are, therefore, of the opinion that the incidence of any new taxation will definitely tend to cripple the purchasing power of the people and consequently result in lowering still further the already low standard of living at which the masses in the country maintain themselves.

Apart from the detrimental effects of the low purchasing power of the community on the consumption of industrial products and thereby on the development of industries, the Committee would point out that the unduly high percentage of taxes



will also retard the industrial progress of the country. If the level of taxation is raised to an extent at which the profits disappear or are endangered, it is bound to result in a serious set-back to industrial activity. The Committee of the Chamber feel that any new proposals for taxation at this stage are bound to create apprehensions in the minds of the business community that the Government desire to obtain rather an unconscionable share of their earnings. The following table will show how at even the existing level of taxation, the apparent increase in taxable profits is in some cases actually turned into a deficiency when the various taxes are deducted and the net profits are arrived at:—

Increase in taxable profits.	Real increase of net profits. (after deducting increased income-tax, surcharge and E.P. Tax)
25%	- 1·4% (Deficiency)
30·88%	Nil
50%	4·5
75%	10·4
100%	16·3

(Please refer to Enclosure "A" for further details.)

It should be noted, however, that the above calculations do not at all take into account the increased amount of taxes that have to be paid on the same gross income on account of the fact that depreciation being calculated on the written down value decreases and consequently the net profit on which taxes are paid artificially increases without any increase of the gross profits. Such a high level of taxation coupled with increase in Railway freights and in provincial and local taxes and charges etc. will surely retard the growth of industries in the country. Moreover, there has hardly been any direct encouragement of industries by the Government. A comparison with the pre-war and present production and output figures of the various industries in some of the Empire countries would tend to substantiate the fact that industrial activity in India during this war has not increased to the extent to which it has done in some of the Empire Countries, like Canada or Australia. An unduly high level of taxation is decidedly one of the factors which has discouraged industrial enterprise in India.

The Committee would also point out that an important consideration in determining the advisability of further increasing the burden of taxation is the necessity of allowing the existing industries to make adequate provision for meeting the severe depression which is bound to follow the termination of

war. The Committee appreciate that it is a difficult task to foresee conditions which would exist in the post-war period but they feel that certain main features of the post-war world can well be envisaged. For instance, after the war-demand will stop, Indian industries will have to face keen competition not only in some of the neighbouring markets in which Indian manufactured goods are finding a place at present, but even in the internal market. The Committee need hardly emphasise the necessity of building up sufficient reserves to meet the post-war conditions of depression as well as competition. The industries, however, can build up adequate reserves only if they are assured of a reasonable margin of profit. The Committee, therefore, believe that any fresh burden of taxation would considerably hamper the task of the industries making provision for post-war depression.

The Committee would further point out that it is not correct to take the example of U. K. while considering proposals for taxation. When the war broke out, the United Kingdom industries had long turned round the corner of depression and partly on account of the stimulus given by the war preparations and partly on account of the helpful policy of the Government, they were experiencing rather a boom period before the outbreak of the War. The following figures (taken from the "ECONOMIST" dated 30th September, 1939) would show that the profit index figure in U. K. reached its peak in 1937:—

Year.			Index Figure.	
1935	...	...	...	100
1936	...	...	...	114
1937	...	...	...	129
1938	...	...	...	120

In India on the other hand, the War found the industries hardly recovered from the depression conditions. The "Review of the Trade in India" (1938-39) gives the following figures about the profits of Indian industries:—

Year.			Index Figure.	
1935	...	...	...	69·2
1936	...	...	...	53·1
1937	...	...	...	60·7
1938	...	...	...	70·6
(1928 Basic Year	...	...	...	100·)

Apart from this, the Committee of the Chamber feel that there can hardly be any comparison between the long-established industries of the U. K. with their assured markets and the nascent and struggling Indian industries in the matter of capacity to bear the burden of taxation. Moreover, in U. K. with its high standard of living curtailment of purchasing power will not materially affect the people but help the war effort by reducing consumption. But in India curtailment of the purchasing power will reduce the already low standard of living of

the mass of people and will have undesirable economic repercussions.

The Committee are further aware that the Government have to meet increasing expenditure on war measures but they have no means to judge whether the same is justified on the present scale in the best interests of the country. The Committee would emphasise that it is essential to see that whatever additional expenditure is being undertaken is necessary for the defence of India and for the protection of India's interests. In fact, it is well known that since the outbreak of the war, Government Departments, officers and salaries under the Government of India have been rapidly increasing and the expenditure of the Government on that account has been rising at the rate of about rupees one crore per month as compared to last year. The Committee would, therefore, stress the necessity of Government effecting all possible economy in their administrative expenses and strictly avoiding all waste, leakage and extravagance in the defence expenditure. This is especially essential in the absence of any non-official supervision on war expenditure, it being beyond the powers of the Standing Finance Committee to check expenditure of this nature. The Committee regret to point out here that the Government have not as yet accepted their suggestion for a careful, thorough and impartial check over and scrutiny of all defence expenditure. The Committee do not desire to point out that economy in the expenditure of the Government would be able to meet all financial requirements of the Government for war measures but they strongly feel that before any proposals for fresh taxation are considered, the public has a right to expect that all possible economy should be effected in the top-heavy expenditure of the Government and that whatever expenditure is undertaken for defence purposes is reasonable, essential and properly supervised. In fact, the Committee are definitely of the opinion that whatever extra expenditure the Government of India have to incur in the present contingency, should be mainly recovered from the United Kingdom. Failing that the Committee would suggest that advisability of meeting expenditure on war measures more from borrowings than from measures of taxation.

The Committee of the Chamber are of the considered opinion that the capacity of the people to bear the burden of taxation has been reached and any fresh proposals for taxation would cause considerable hardship and result in undue privations to the people. The rising cost of living without adequate returns, dislocation of trade and business consequent on the war, as also a number of other factors which affect the people have also to be taken into consideration in this connection.

In view of the observations made above, the Committee trust the Government would not proceed to consider any further proposals for taxation.

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## (ENCLOSURE 'A')

*Table showing the effects of war taxation on profits.*

E. P. T. @ 66½%; Income Tax @ 2½ annas and Super Tax @ one anna the rupee; and Surcharge @ ⅓.

(1) Prewar (Standard) profits.	(2) Current (war). profits.	(3) Surplus profits.	(4) Excess profits tax.	(5) Balance (3—4).	(6) Additional Income and Super tax on (5) @ 4 As. 8 p. per rupee.	(7) Additional Income and Super tax on (1) @ 1 A. 2 p. per rupee.	(8) Additional Income and Super tax (6+7).	(9) Net Addi- tional profits (5—8).	(10) Percentage of (9) on (1).
9,00,000	11,25,000	2,25,000	1,50,000	75,000	21,875	65,625	87,500	- 12,500	- 1·4
	13,50,000	4,50,000	3,00,000	1,50,000	43,750	65,625	1,09,375	+ 40,625	+ 4·5
	15,75,000	6,75,000	4,50,000	2,25,000	65,625	65,625	1,31,250	+ 93,750	+ 10·4
	18,00,000	9,00,000	6,00,000	3,00,000	87,500	65,625	1,53,125	+ 1,46,875	+ 16·3

## BANKS PROFIT IN SELLING EXCHANGE.

A Joint representation dated the 9th April, 1941, from the Muslim, the Bengal National, the Marwari and the Indian Chambers of Commerce to the Government of India, Finance Department.

*Subject:—Exchange rates for forward bills.*

The above mentioned Chambers of Commerce in Calcutta beg to invite the attention of the Government to the present rates of Exchange *for forward bills* and request the Government to be so good as to give their earnest attention to the subject.

When the war started in September, 1939, the Reserve Bank of India organised Exchange control and fixed forward transactions for two months. But the trade protested that they would not do business on two months basis. The Government of India therefore extended forward business to six months ahead at a level rate of 1s. 6d. per rupee. The Banks covered themselves from Reserve Bank and sold exchange to merchants at 1/32 profit which was a fair profit for the Banks. It appears that the Banks are now objecting to such transactions to be converted into Bill unless they make 1/16th profit. This attitude of the Exchange Banks is highhanded, unfair and uncalled for because they are not shouldering any risk as Exchange control gives them cover against all business that they do. Some of the Banks are of the view that by allowing forward Exchange they are encouraging members to do forward business which is not desirable under present conditions. If this was the view of the trade and the Government, the Government would not have extended the Exchange control operations from two months to six months.

Besides, the Exchange Banks Association has taken a different attitude in regard to export Bills in Sterling and have kept prices 1/32 higher every month than ready which is very unfair due to the fact that they are getting same discount in London for six months. If the ready rate is 1-67/32 then the reasonable rate for forward for three months should be 1-6¼.

The attitude of the Exchange Banks on this question has caused considerable dissatisfaction among the merchants and the commercial organisations consider it a matter deserving of the earliest attention of the Government. If Exchange Banks do not allow reasonable facilities to merchants for their forward contracts there is every justification for the Government to intervene with a view to ensuring credit facilities for export trade.

FREEZING OF JAPANESE ASSETS—PAYMENT FROM BLOCKED  
JAPANESE ACCOUNTS TO INDIAN MERCHANTS.

Telegram dated the 1st August, 1941, from the Chamber to the Government of India, Departments of Finance and Home.

Reference Japanese Assets Freezing Order many Indian Merchants have got large sums outstanding against certain Japanese firms both as deposits and in respect of transactions entered into before 26th July. These Japanese firms have got large sums to their credit in Japanese and other banks but committee understand Indian Merchants are not being paid their dues owing freezing orders. Committee see no reason why payments of their dues to Indian Merchants should be refused under above circumstances and they strongly urge Government issue immediate instructions permitting payments to Indian Merchants of their dues.

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Letter Nos. 1667—1668 dated the 2nd August, 1941, from the Chamber to the Government of India, Finance Department, and Home Department.

I confirm having sent to you a telegram yesterday as per copy enclosed regarding the order issued by the Government of India in connection with freezing of Japanese assets in India. According to the freezing order, "the accounts of all persons or firms resident in the Empire of Japan and the Republic of China or the accounts of all firms and companies incorporated therein or under the control of residents in these territories and operating in India shall be blocked". The Committee are given to understand that a number of Indian merchants and firms have got large sums of money outstanding against Japanese firms and in Japanese banks either in the shape of deposits made during the course of business or in respect of transactions entered into before the 26th July, 1941, on which date the freezing order came into force. The Committee further understand that although these Japanese firms, against whom Indian merchants have got their dues outstanding, have got sufficient credits in Japanese and other banks, the payment of dues to Indian merchants has been withheld under instructions of the Reserve Bank. The Committee do not see any reason why payments to Indian merchants of their dues should be withheld when the Japanese firms against whom the sums are due have got sufficient credits in banks and when the amounts due are in respect of *bonafide* transactions entered into before the date of the freezing order. The Committee need hardly emphasise the desirability of the payment of the dues to Indian merchants at an early date and they strongly urge the Government to issue immediate instructions permitting payments to Indian merchants of their dues.

An early reply will oblige.

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*Copy of letter No. C. A. E. C. 9099/154 dated the 4th August, 1941, from the Reserve Bank of India, Exchange Control Department, to the Chamber.*

With reference to your letter No. 1664 of the 2nd instant, we are allowing payments being made by Japanese firms to Indian merchants of sums due to the latter in respect of contracts entered into on or before the 26th July, 1941, provided satisfactory documentary evidence is produced to us to establish such claims. You may therefore inform the parties concerned to apply to us through their bankers for permission together with the necessary documents.

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#### LOW SILVER CONTENT OF NEW RUPEE COINS.

Letter No. 476 dated the 25th February, 1941, from the Chamber to the Government of India, Finance Department.

*Re: New Rupee Coins.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the very low silver contents of the new rupee coins. On account of its low silver contents, it is sometimes difficult to distinguish the sound of the new rupee coins from that of the counterfeit ones, and as such, the general public, particularly in the mofussil, is rather hesitant in accepting the new rupee coins. The Committee have not been able to appreciate the reason why the new rupee coins should contain less silver than before, particularly when the prices of silver are at a moderate level. The Committee feel that the Government should take steps to re-introduce the old percentage of silver contents in rupee coins. This would also remove any misunderstanding in the minds of the general public with regard to the reason for the introduction of coins containing less silver than before. The Committee trust that their suggestion will receive careful consideration of the Government.

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#### EXCESS PROFITS TAX ACT AMENDING BILLS.

Telegram dated the 15th March, 1941, from the Chamber to the Government of India, Finance Department.

Reference Excess Profits Tax Amendment Bill newspapers report that deficiency of profits occurring before March end will be cancelled. Such step will be very iniquitous specially having regard to fact that excess profits tax is already too onerous. There is rather need for improvement in favour of Assessors particularly for excess profits tax not being realisable in respect of diminishing depreciation owing written down value calculation. Other provisions of amending bill not reported in press and hence Committee Indian Chamber unable express opinion on such provisions if any. Committee emphatically submit that

sufficient time should be given for public to express considered opinion before placing bill for consideration by select committee or Assembly.

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*Copy of letter No. C. No. 8(i) (2)-E.P./41 Part II dated the 20th March, 1941, from the Central Board of Revenue to the Chamber.*

In reply to your telegram of 15th March 1941, I am directed to state that the provisions in question merely provide that an assessee shall not lose by setting off a deficiency arising after 31st March, 1941, against excess profits assessed at 50%. If in such a case there is subsequently an excess of profits assessable at 66-2/3%, the Bill provides that such deficiency may be set off against the later excess. Allowance having thus been given at 66-2/3%, the previous allowance at 50% must necessarily be cancelled.

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Letter No. 2119 dated the 29th October, 1941, from the Chamber to the Government of India, Finance Department.

*Re: Excess Profits Tax (Second Amendment) Bill.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the Bill "further to amend the Excess Profits Tax Act, 1940" published in part V of the Gazette of India dated the 18th October, 1941, for general information and to submit the views of the Committee thereon on the various clauses of the Bill *ad seriatum* as follows:—

Clause 4 of the Bill seeks to introduce a new section 7A in the Act for making a special provision  
 Clauses 4, 7(a) & 8(a): for the determination of "excess of profits" in respect of a chargeable accounting period falling partly before and partly after the end of March, 1941. Clauses 7(a) and 8(a) also introduce new rules in the first and the second Schedules relating to the computation of profits and of the average capital respectively in respect of the treatment of borrowed money and the interest thereon. As the new provision in clause 4 with regard to the determination of the excess of profits, is based upon the new rules sought to be introduced by clauses 7(a) and 8(a), the Committee would like to submit their views as follows on all these clauses together.

Although, as stated in the 'Notes on clauses' appended to the Bill, clauses 7(a) and 7(b) recognise the "invidious distinction made by the existing rule 5 of the First Schedule to the Act between money borrowed from a person carrying on a *bonafide* banking business and other borrowed money", and seek to remedy this defect, the Committee do not see why the benefit of this change should be confined only to the chargeable accounting period after the 31st March, 1941. When the Government have



realised the injustice done to the assesseees by the original provision in the E. P. T. Act making this "invidious distinction" in respect of borrowed money, the Committee do not appreciate why this injustice should be retained in respect of the chargeable accounting period upto the 31st March, 1941. It may be that this another distinction in respect of the chargeable accounting periods falling after and before the 31st March, 1941, is being made having in view the fact that many assessments for the chargeable accounting periods falling before the 31st March, 1941 are still pending and others have been completed and that if the change now sought to be brought about by clauses 7(a) and 8(a) in respect of borrowed money is applied to all pending and future assessments, it might be unfair to those assesseees whose assessments have been completed. The Committee may, however, point out that when a change in law is made particularly in respect of removing a grievance of the persons affected by the law, it would be unfair to confine the benefit of the change only to begin from a certain period and to retain the injustice in respect of the previous period. The Committee, therefore, suggest that the removal of the distinction in respect of borrowed money, should be made applicable in respect of all chargeable accounting periods whether falling before the end of March, 1941, or after and that clauses 4, 7(a) and 8(a) of the Bill be modified accordingly.

It is proposed by this clause to add a new section 10A after

Section 10 of the E. P. T. Act which

Clause 5:

deals with *fictitious or artificial* transaction or transactions entered into for the purpose of reducing the excess profits chargeable to tax". The Committee are, however, surprised to find that the Government now intend to introduce further provisions in the Act whereby *any* transaction or transactions "which are neither fictitious nor artificial" could be disregarded by the E. P. T. Officer in making assessments for excess profits tax purposes. Even section 10 as it stands gives a considerably wide power to the E. P. T. Officer but the further extension of his powers contemplated under the proposed section 10A would make business dealings almost impossible. Although the Committee do not have before them a copy of the U. K. Act, they are reliably given to understand that the U. K. Statute dealing with excess profits tax does not contain any provision corresponding to Section 10 of the Indian Act. The Committee are, therefore, strongly opposed to clause 5 and do not see any justification for the Government giving such wide powers to the E. P. T. Officer to disregard any transaction or transactions even if it is not fictitious or artificial. The Committee have no doubt that if such wide powers as are contemplated under clause 5 are given to the E. P. T. Officers, they are bound to prove a source of considerable harassment and trouble to the assesseees. The Committee feel that the powers given to the E. P. T. Officer by Section 10 are sufficient to cover any transactions which have for their purpose "the avoidance of

E. P. Tax", and they, therefore, submit that clause 5 be altogether dropped from the Bill.

Under this clause, it is proposed to introduce a new rule in Schedule I to the Excess Profits Tax

Clause 7(b):

Act empowering the E. P. T. Officer not to allow deductions "in respect of expenses including the Director's fees or other payments for services in excess of the amount which he considers reasonable and necessary", while computing the profits of any chargeable accounting period. The Committee are strongly opposed to this new Section being introduced in the Act as they feel that such provision would be highly inequitable to the interests not only of the industrial and commercial but also of the large number of their employees. The Committee are afraid that this provision would be particularly prejudicial to the interests of Indian assesseees and they are opposed to such a large power being vested in the E. P. T. Officer. The Committee note that the proposed amendment provides for the previous "authority of the Commissioner of Excess Profits Tax" as a condition precedent before this power of disallowance given to the E. P. T. Officer under the new rule is exercised and that the assessee is given the right of appeal to the Appellate Tribunal in the case of any disallowance under this new provision. But the Committee submit that in actual practice, these "safeguards" may prove of little avail to the assessee against misuse of the wide powers vested in the E. P. T. Officer. The Committee, therefore, strongly oppose clause 7 (b) of the Bill and request that the same be dropped.

The Committee trust that the views which they have expressed above will be given careful consideration by the Government before the Bill is enacted into law.

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#### EXCESS PROFITS TAX ACT—RULE 5 OF SCHEDULE I.

Letter No. 536 dated the 4th March, 1941, from the Chamber to the Government of India, Finance Department.

I am directed to refer to rule 5 of Schedule I of the Excess Profits Tax Act, 1940, relating to borrowed capital being treated as a part of the total capital employed in business. This rule had been inserted in order to give relief in cases where a business has been expanded with capital borrowed from a bank or on debentures by securing that the interest paid on the loan shall not be deducted in computing profits for the purposes of Excess Profits Tax Act but that the amount of such loan or debentures shall be included as part of the total capital employed in business. It has, however, been brought to the notice of the Committee that according to the present wordings of the rule, new businesses in respect of which a "standard period" is not available, may be deprived of this important and necessary benefit. It will be noticed that rule 5 of Schedule I has got a reference to

the "standard period" and it is probable that the rule may be interpreted so as not to be applicable to such businesses which are newly started and which, therefore, have no standard period. Such an interpretation would naturally place newly started business at a serious disadvantage as compared to the older concerns which could not have been and was not, the intention of the Government. I am, therefore, directed by the Committee to request you to kindly issue the necessary executive instructions to remove any doubt regarding such new businesses as have not got any standard period, being eligible for the concession given by rule 5 of Schedule I. A reply as to the action taken will oblige.

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Letter No. 1260 dated the 2nd June, 1941, from the Chamber to the Central Board of Revenue.

*Re:—Excess Profits Tax Act.*

*Rule 5 of Schedule I.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to express their appreciation of, and thanks for, the Communique issued on the 21st May, 1941, stating that instructions have been issued to E. P. T. Officers that "provided that the business is a *bonafide* banking business, rule 5 may be applicable whatever the status of the 'person' carrying it on".

The Committee have no doubt that this elucidation has been made with a view to ensure that shroffs are treated as Banks for the purpose of Rule 5 of Schedule I. The word "*bonafide* banking business", are, however, not defined. The Committee consider that in the absence of further elucidation in regard to those words, there would remain a vagueness which may leave a discretion to the E. P. T. Officers and make the application of the rule vicarious and discriminatory.

It is, therefore, desirable that the expression should be definitely and uniformly understood and applied. The Committee have no doubt that in its application in this country, the expression should be understood to mean what Indians generally understand by it. By "*bonafide* banking business" is understood in this country any one of the following functions:—

- (a) The advancing of money on *Khata Peta* account *i.e.*, current account.
- (b) Dealing in *Hundis*, *Purjas* etc.
- (c) The advancing of money to merchants for business purposes.
- (d) Transfer of money from one centre to another.
- (e) The taking of loans or deposits.

It may be emphasised that a shroff performs either one or more than one of the above-mentioned functions, (a) to (d), and the taking of loans or deposits, when done, is done in addition to one or more of the other functions.

The Committee hope that the Central Board of Revenue would clarify the position with regard to the meaning of the words "*bonafide* banking business" in the light of the above remarks.

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*Copy of letter No. C. No. 10(13)-E. P./41 dated the 10th June, 1941, from the Excess Profits Tax Adviser to Central Board of Revenue, to the Chamber.*

Excess Profits Tax Act—Rule 5 of Schedule I.  
Your Ref. No. 1260.

In reply to your letter of the 2nd instant, in the view of the Central Board of Revenue the functions of a bank are—

- (i) to accept money from customers on Current account;
- (ii) to make loans to its customers; and
- (iii) to provide for transfer of money from one person to another;

and, in their view, unless a "banking business" carries on each of these functions it can not be regarded as a "*bonafide* banking business" for the purpose of the rule.

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**EXCESS PROFIT TAX ACT—SECTION 6 RELATING TO THE  
DETERMINATION OF THE STANDARD PROFITS.—**

Letter No. 1278 dated the 7th June, 1941, from the Chamber to the Central Board of Revenue.

I am directed to refer to section 6 of the E. P. T. Act relating to the determination of standard profits. The first proviso to sub-section 1 of this section provides that if the average amount of capital employed in the business during the chargeable accounting period is greater than the average amount of capital employed during the standard period, the standard profits would be taken to be the profits during the standard period plus the additional amount calculated on the basis of the increased capital. Sub-section IV of the same section, however, lays down a minimum of Rs. 36,000/- for standard profits. The Committee presume that in the case of a business which may have been commenced in the year 1937 but could not make any profit till 1940 and ultimately made a profit in 1941, when the capital had been considerably increased, the business would be allowed in addition to Rs. 36,000/- under section 6(iv), the further amount calculated by applying the statutory percentage to the amount of increase

in capital. If the spirit of the fundamental principle as laid down in Section 6(i) is taken into consideration, it is apparent that the business would be entitled to such standard profits as calculated on the above basis and the Committee would, therefore, request the Central Board of Revenue to clarify the point so that no difficulty may be experienced by assesseees in taking advantage of the legitimate rights intended to be given to them under the law.

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*Copy of letter No. C. No. 8(iii) (8)-E. P./41 dated the 10th June, 1941, from the Excess Profits Tax Adviser, Central Board of Revenue to the Chamber.*

Your Ref. No. 1278.

In reply to your letter of the 7th instant, I have to point out that the minimum standard of Rs. 36,000 a year applies only where the standard profits, as computed in accordance with sub-section (1) of section 6 of the Act, are less than that sum.

The standard profits computed in accordance with the provisions of sub-section (1) may be—

(a) the profits of a standard period proportionate to the length of the chargeable accounting period and adjusted in relation to the increase or decrease of average capital in accordance with the provisions of the first proviso to the sub-section; or

(b) in certain cases the statutory percentage applied to the average capital of the chargeable accounting period;

and if this amount is less than Rs. 36,000 a year, the minimum standard provided by sub-section (iv) is applicable.

There is no provision for increasing or decreasing this minimum standard by reference to any increase or decrease in the average capital of the chargeable accounting period as compared with that of the standard period.

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**EXCESS PROFITS TAX ACT—SCHEDULE II RULE I, (3).—**

Letter No. 1277 dated the 7th June, 1941, from the Chamber to the Central Board of Revenue.

*Re: E. P. T. Act—Schedule II Rule I(m).*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to Rule I(3) of Schedule II of the E. P. T. Act which states that “where the price of an asset has been satisfied otherwise than in cash, the then value of the consideration actually given for the asset shall be treated as the price at which the asset was acquired”. The Committee find that the

meaning of the words "the then value of the consideration" is not very clear. If the consideration for the asset was paid in the form of shares, the words would seem to indicate the value of the shares, at the time of purchase. It is, however, not clear as to how *the then value* of the shares paid in consideration for the asset is to be determined. It may be that the shares given in consideration were not quoted in the stock market and even if they were so quoted, there are various shares in the case of which the market price is not the correct indication of their actual value. The Committee, therefore, presume that in determining "the then value" of shares paid in consideration for acquiring an asset, the E. P. T. authorities would generally take into consideration the value of the share consideration actually agreed upon between the parties concerned. The Committee would be glad if you will kindly clarify the position.

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*Copy of letter No. C. No. (8) (ii) (9)- E. P./41 dated the  
10th June, 1941, from the Excess Profits Tax  
Adviser to Central Board of Revenue,  
to the Chamber.*

Excess Profits Tax Act—Schedule II, Rule 1(iii).

Your Ref. No. 1277.

In reply to your letter of the 7th instant, the words "the then value of the consideration" are necessarily broad because they are designed to cover a wide variety of circumstances. The consideration given for an asset may take many forms, and it would be impossible to lay down any general rule for the solution of the practical question how the value of the consideration given in each case is to be ascertained. Each individual case needs to be considered and dealt with according to its own particular facts.

I will, however, try to deal with the specific instances mentioned at the end of your letter, promising that the aim of the Excess Profits Tax Officer must be to find the real value of the consideration given for the asset at the time that the consideration was given.

In the case of considerations given in the form of shares, perhaps, the only point that can be definitely made that is of general application is that the nominal value of the shares is not necessarily their value for the purposes of the rule. If the shares in question were quoted on the Stock Exchange, the market price of the day would be a factor definitely to be taken into account in fixing the value of the consideration, though definite evidence to the effect that the market quotation was either more or less than the real value would need to be considered. This, I think, would very rarely happen.

The more difficult question would be the valuation of shares issued in satisfaction of the purchase price of an asset for which

shares at the time of issue there is no market quotation or no reliable quotation. I could not agree that a value agreed between the vendor and purchaser would necessarily be acceptable although if such value were the result of an accurate valuation of the assets purchased, it might prove to be acceptable. Generally, in this type of case I should say that at the time of the purchase of assets for shares the value of the shares is really the value of the assets, and that if on the evidence available a value can be agreed for the assets in question at the date of their acquisition that value may be taken as the value of the shares that were issued as the purchase consideration.

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CALCULATION OF DEPRECIATION FOR THE PURPOSES OF  
EXCESS PROFITS TAX.—

Letter No. 973 dated the 3rd May, 1941, from the Chamber to the Government of India, Department of Finance.

*Re: Calculation of depreciation under Excess Profits Tax Act.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to rule 2 of Schedule I of the Excess Profits Tax Act, 1940. This rule lays down that "the profits of a business during the standard period shall be computed on the same basis and in the same manner as the profits of that business are ..... computed for the chargeable accounting period". It is specifically provided that the profits shall be computed on the basis of the amended Income-tax Act of 1939 notwithstanding the fact that the Act "may not have been in force in the standard period". According to this provision depreciation in particular, is to be calculated on written down value basis and not on cost basis. While proposing the addition of this rule, the Select Committee of the Central Legislative assembly observed that "this new provision is intended to secure that the computation of profits in any standard period should be made on the same basis as the computation of profits in the chargeable accounting period and, in particular, that depreciation should be calculated on the written down basis instead of on the cost basis" etc.

While the Select Committee introduced this provision with a view to be fair to the assessee, the Committee desire to point out that in actual operation this rule is working to their great detriment in relation to the calculation of depreciation. It will be seen that both in the standard period as well as in the chargeable accounting period, depreciation having to be calculated on the written down value basis instead of the original cost basis, the amount of calculated depreciation deducted from gross profit in the standard period in order to arrive at the standard profit is much more than the amount of depreciation allowed in the chargeable accounting period for, according to the written down-

value basis, the amount of depreciation is reduced year after year. The result is that even though the amount of gross profits made by the assessee in the chargeable accounting period and in the standard period be the same, the assessee becomes liable to pay Excess Profits Tax on account of the amount of depreciation in the chargeable accounting period being less than in the standard period. For example, take an industrial concern with a block capital of the original cost of Rs. 10 lakhs (written-down-value being Rs. 5 lakhs) which earned in 1935-36 a gross profit of, say Rs.  $1\frac{1}{2}$  lakhs, including depreciation. Assuming that the amount of depreciation allowed from the gross profit as per calculation on the present written down value basis, amounts to Rs.  $\frac{1}{2}$  lakh, the standard profit left to the concern was Rs. 1 lakh. The same concern, however, while still making a gross profit of Rs.  $1\frac{1}{2}$  lakhs (including depreciation) in the year 1940-41 will not only have to pay Income and Supertaxes on a higher amount, because of the depreciation being progressively less on the written down value basis, but will also have to pay Excess Profits Tax on the amount by which depreciation has been reduced from 1935-36 to 1940-41. If the rate of depreciation be, say, 10% in 1940-41, the amount thereof would only be Rs. 29,524 that is, roughly Rs. 30,000 as against Rs. 50,000 allowed as depreciation in the standard year. The result will be that on the same amount of gross profit namely Rs.  $1\frac{1}{2}$  lakhs, the concern will have to pay Excess Profits Tax on about Rs. 20,000 amounting to about Rs. 13,333 apart from increased Income-tax and Supertax.

The Committee have no doubt that the Government will appreciate the unfairness to the assessee in the operation of the above rule regarding calculation of depreciation. The Committee, therefore, strongly urge the Government to correct this anomalous position by making a provision that, subject to extensions and obsolescence taking place after the standard period, the same amount of depreciation should be taken into account both in the standard as well as the chargeable accounting periods for the purposes of arriving at assessable profits. I may add that the Committee are aware of the circular No. 11 of the 10th March, 1941, issued by the Central Board of Revenue on the subject of 'Depreciation allowance' but the hardship pointed out above is not met or removed by that circular.

In view of the great hardship to assessee caused under the present arrangement, the Committee have to request the Government kindly to take early action in the matter.

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*Copy of letter No. C. No. 8(iii) (6)-E. P./41 dated the 15th May, 1941, from the Central Board of Revenue to the Chamber.*

In reply to your letter of the 3rd instant, I am directed to say that the Central Board of Revenue is unable to agree that the newly-introduced basis for the calculation of depreciation for



income-tax purposes, that has been applied to all accounting periods for the purpose of Excess Profits Tax by Rule 2 of Schedule I of the Act of 1940, does involve any hardship to assessees.

2. It is generally admitted in both this and other countries and by the business community as well as by the Accountancy profession that the written-down value basis of calculation of depreciation is much more closely in harmony with the physical facts than is a method that assumes unequal loss of value by depreciation of buildings, plant and machinery in each year of the assets' life. It is a fact beyond dispute that in the earlier years of life of such an asset the depreciation is much greater than in the final years and a diminishing series is recognised on all hands as corresponding to the facts.

3. For these reasons the Board is of opinion that there is no case for alteration of the written-down value method of arriving at depreciation allowable in computing the profits of business either for Income-tax or for Excess Profits Tax purposes.

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Letter dated the 31st May, 1941, from the Chamber to the Central Board of Revenue.

I am directed to acknowledge receipt of your letter No. C. No. 8(iii) (6)-E. P./41 dated the 15th May, 1941, in reply to this office letter of the 3rd instant regarding the calculation of depreciation for Excess Profits Tax purposes. The Committee regret to find that their previous letter has been misunderstood. A careful perusal of the Committee's previous communication would show that they did not ask for any general "alteration of the written down value method of arriving at depreciation" allowable in computing profits of a business, as envisaged by the Board. It was not the intention of the Committee to discuss the comparative merits of the written down value basis or the prime cost basis for calculation of depreciation and to urge for any change in the present basis of calculation so far as the Income-Tax Act is concerned. The Committee had only drawn the attention of the Central Board of Revenue to an anomaly which has been noticed in the actual operation of the law for the calculation of depreciation for Excess Profits Tax purposes as laid down in rule 2 of Schedule I of the E. P. T. Act, 1940. As pointed out in their previous communication, the result of the application of written down value basis for purposes of calculating depreciation allowable in computing profits of a business for Excess Profits Tax purposes is that even though the amount of gross profits made by the assessee be the same, the assessee becomes liable to pay Excess Profits Tax on account of depreciation in the chargeable accounting period being less on written down value basis than in the standard period. This anomaly was apparently not foreseen when the Act was framed but it will be appreciated that this provision operates to the great detriment of the assessee. The Committee had, therefore, requested the Central Board of

Revenue to correct this anomalous position and, subject to extensions and obsolescence taking place after the standard period, to make a provision that so far as the calculation of profits for E. P. T. purposes are concerned, the same amount of depreciation should be taken into account both in the standard as well as the chargeable accounting periods. The Committee's request was only confined to putting this position right and did not go beyond to suggest any change in the whole basis of calculation of depreciation for Income-tax purposes from the written down value to prime cost basis. It will be appreciated that the E. P. T. being leviable only on profits over and above "the standard profits", the question of calculation of depreciation becomes important as it enters into the calculation for determining the standard profits and particularly as the rate of the Excess Profits Tax is as high as 66 $\frac{2}{3}$ %. It may also be pointed out that on principle, Excess Profits Tax is a tax on profits arising out of war and it can hardly be said that the difference in the calculated amount of depreciation between the chargeable accounting period and the standard period represents, in any way, profits arising out of war.

The Committee trust that they have now been able to make the position clear and they earnestly hope that the Central Board of Revenue will reconsider the matter and take suitable action.

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**DISALLOWANCE OF WAGE AND SALARY, INCREMENTS AND BONUSES  
AS EXPENDITURE FOR PURPOSES OF EXCESS PROFITS TAX  
AND INCOME-TAX ASSESSMENTS.—**

Telegram dated the 4th April, 1941, from the Chamber to the Central Board of Revenue.

Committee Indian Chamber understand from Newspaper Reports that Central Board of Revenue contemplates taking steps either by amending law or issuing executive instructions to disallow grant of increments in wages or salary or giving of bonuses to staff or workers as expenditure in calculating profits for E.P.T or Income tax and Supertax. Such action will be highly iniquitous and seriously prejudicial to interests of workers and staff in Industrial and Commercial concerns since employers would refrain from granting increments or giving bonuses if same are not allowed as expenditure. Committee are therefore strongly opposed to any such move by Government and in order allay public apprehensions urge them to issue immediately communicate declaring that no such steps are contemplated and that such increments etc., will be duly allowed as expenditure.

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Letter No. 823 dated the 16th April, 1941, from the Chamber to the Central Board of Revenue.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to confirm having sent to you a telegram

as per copy enclosed on the 4th instant. The Committee understand from certain New Delhi messages published in local papers that the Central Board of Revenue are contemplating to take steps to disallow the grant of increments in wages or salary or the giving of bonuses to the staff or workers as expenditure in the calculation of profits for the purpose of assessing Income-tax, Supertax and Excess Profits Tax. The Committee further understand that the Central Board of Revenue are considering the question of giving effect to this intention either by amendment of the law or by the issue of executive instructions.

The Committee hope that this information is not correct, for, such an action on the part of the Central Board of Revenue will be highly iniquitous and seriously prejudicial to the interests of the large number of employees in industrial and commercial concerns. It need hardly be pointed out that if proportionate benefit of larger profits is not given to workers and employees, not only the labour leaders but the general public also will blame the employers. In this respect, the Government have also sympathised with this view-point in the interests of labour. The Committee may, however, submit that if the Government disallow the grant of increments in wages or salaries or the giving of bonuses as expenditure in the calculation of assessable profits, the employers cannot be expected to grant such increments or bonuses to the great detriment of workers and employees. The effect of such disallowance would be that if employers pay an increased amount to the workers and the staff, they would not only not get relief to that extent from income, Super or Excess Profits Taxes but will have to pay almost 80% of the amount again to the Government by way of such taxes. The Committee need hardly emphasise that such an action on the part of the Government of India, as reported to be under their consideration, is bound to lead to considerable discontent amongst employees and may also impede the Government's war effort. It will be appreciated that the employers will not be in a position to grant any increments or bonuses unless they are certain that the same would be allowed as expenditure while calculating assessable profits. In order to allay public apprehensions, therefore, the Committee strongly urge the Government of India to issue immediately a communique declaring that no such steps are contemplated and that increments in salaries and wages and grant of bonuses will be duly allowed as expenditure while calculating assessable profits.

In view of the importance of the matter, the Committee would request the Government of India to kindly give immediate attention to this question and to let them have an early reply.

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*Copy of letter No. C. No. 27(25)-I.T./41 dated the 22nd April, 1941, from the Central Board of Revenue, to the Chamber.*

Allowance in assessing income—Increments in salary and bonus—Reports regarding.

With reference to your telegram dated the 4th April, 1941, I am directed to inform you that no proposal of the nature referred to therein, is under consideration. The law on the subject—Section 10(2) (xii) of the Indian Income-tax Act sufficiently safeguards the revenue against attempts to avoid taxation by the payment of excessive salaries or bonuses.

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#### INDIAN INCOME-TAX ACT—AMENDING BILL.—

Telegram dated the 10th June, 1941, from the Chamber to the Government of India, Finance Department.

Committee Indian Chamber understand from press reports Government bringing Bill before autumn session Assembly for amending Income-tax Act. Administration of Income-tax Law already operating harshly against assesseees. Commercial Community therefore apprehensive as to amendments which Government now propose making. Strongly urge Government take Commercial Community into confidence in good time before drafting Bill as adequate time not left for consideration and criticism after introduction of Bill in legislature.

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Letter No. 2128 dated the 30th October, 1941, from the Chamber to the Government of India, Finance Department.

*Re: Income-tax Amendment Bill,*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the Bill "further to amend the Indian Income-tax Act, 1922" published under the Government of India, Legislative Assembly Department, Notification No. F. 128/41-A dated the 14th October, 1941, for general information and to convey the views of the Committee on the various provisions of the Bill ad seriatum as follows:—

#### CLAUSE 4.

Clause 4 of the Bill which deals with the definition of residence in British India seeks to empower the Income-tax Officer to treat any individual as "resident in British India" if the officer is satisfied *inter alia* that such individual "is likely to remain in British India for not less than three years from the date of his arrival". This provision appears to be queer to the Committee as the Income-tax Officer will have to base his decision on conjectures and probabilities with regard to future movements of an individual. The Committee are of the opinion that this provision

might lead to an anomalous position. It will be recognised that the principles of taxation should be based on facts and not on conjecture.

*CLAUSE 5 regarding Appellate Tribunal.*

The Committee would only like to invite the Government's attention to cases in which an anomalous position may arise as a result of the adoption of the proposed proviso to sub-section 2 of section 5(a) of the Income-tax Act. For example, if a Tribunal consists only of two members namely one Judicial Member and one Accountant Member and if there is a temporary vacancy "caused by the death, retirement or removal of any member", the Tribunal would then consist of only one remaining member. In such cases, it may not be advisable to proceed with the work of the Tribunal till another member is appointed. The Committee trust the Government will look into this contingency before proceeding with the amendment.

*CLAUSE 6(a).*

This clause seeks to amend clause (b) of the proviso to clause (vi) of section 10(2). The Committee trust that the Government will see that it is made clear that losses would be set off before the provision in this clause regarding depreciation becomes effective.

*CLAUSE 6(b).*

Clause 6(b) (i) of the Bill which proposes to substitute a new clause in sub-section 5 of section 10 for the existing clause (b) and (c) of that sub-section has to be considered along with sub-clause (iii) of clause 6(b) of the Bill whereby the second proviso to sub-section 5 of the Act is sought to be omitted. The deletion of the second proviso is, no doubt, intended to be made under the impression that cases coming under that proviso would be covered by the new clause to be substituted as per clause 6(b)(i)(b) of the Bill by reason of the word "allowed" being substituted in place of the word "allowable".

Cases have happened in which at the time of the introduction of the principle of written down value, there was unabsorbed depreciation. The second proviso did justice to the assessee by providing that such unabsorbed depreciation would not be deducted from the original cost to arrive at the written down value.

In such cases, depreciation had been "allowed" by the Income-tax Officer but full effect could not be given thereto either owing to there being no profits or owing to the profits being less than the allowance (*vide* language used in section 10(2)(vi) and proviso (b).

In such circumstances, if the second proviso concerned be omitted and only the word "allowed" be kept in the new clause

(b), to be substituted for clauses (b) and (c) in sub-section 5 of section 10, such assessee might lose the benefit which was given to them by the second proviso. The Committee, therefore, suggest that either the second proviso may be retained or suitable modifications may be made in the new clause (b) so that the assessee may not be put to loss thereby.

#### CLAUSES 8 & 10.

Clauses 8 and 10 deal with income accruing or arising to an assessee within an Indian State. The Committee note that such income will be exempted both from income-tax and supertax but that it will be taken into account in calculating these taxes and that, therefore, the assessee will have to show the profits, income or gains accruing or arising in an Indian State in the income-tax return. The Committee would, however, suggest that when the income arising from an Indian State is not to be taxed in British India, the assessee should not be required to make any reference to such income or profits in his income-tax return. It may be pointed out that if reference to income arising in an Indian State is made in the Income-tax return in British India and *vice versa*, the assessee may be required to produce his account books to an Indian State from British India and *vice versa* for verification. This would lead to unnecessary harassment and trouble to the assessee. The Committee submit that the amount of tax involved is so little as to be out of proportion to the harassment to which the assessee might be put. The Committee, therefore, request that the Government should not insist on the assessee making a reference to profits, income etc., arising in an Indian State in his return and that suitable modifications would be made accordingly in clauses 8 and 10.

#### CLAUSE 13(d).

The Committee are opposed to the substitution of the new clause (d) for the third proviso in sub-section 2 of section 24 of the Act as contemplated by clause 13(d) of the Bill. The new clause would affect the carry forward of losses in the case of partnerships and would limit the carry forward to only the proportionate share of the partners which, in the opinion of the Committee, is unfair.

#### CLAUSE 18.

This clause proposes to introduce a new section namely 33A relating to the power of revision by the Commissioner. The Committee would like to refer to section 66 of the Act in this connection. Under section 66 a reference may be made to the High Court only in respect of decisions made by the Appellate Tribunal. The Committee are sure that when section 33A is enacted, the Government do not intend to take away the right of the assessee to get questions referred to the High Court. The Committee, therefore, submit that section 66 may be amended

so as to give the right to the assessee to obtain references to the High Court in respect of decisions made under section 33A also.

The Committee trust that the views which they have expressed above will be given careful consideration by the Government before the Bill is enacted into law.

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#### INCOME TAX RULES—RATES OF DEPRECIATION ALLOWANCE FOR COLLIERIES.—

Letter No. 131 dated the 21st/22nd January, 1941, from the Chamber to the Central Board of Revenue.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the question of allowance of depreciation to collieries under Rule 8 of the Income-tax Rules. The Committee understand that the Income-tax Officers do not allow any depreciation on expenses incurred by the collieries for 'development' works in the mines on the plea that such assets are not included under 'mines and quarries', that is, item No. 3(3)(j) of the Schedule nor are such assets considered to be revenue by the Income-tax Officers. The Committee of the Chamber fail to appreciate the view taken by the Income-tax officers in this connection and they feel it is essential that depreciation allowance at the rate of 7 per cent should be granted to such assets.

The Committee would further point out that expenses incurred by collieries for Quarrrystone, and Earthcutting and for Gallery driving was till now allowed as revenue. Recently, however, these expenses have not been allowed as revenue nor has depreciation on the written down value of the same been allowed. As your Board would appreciate, these expenses are of a recurring nature and the benefit accruing to the colliery from the same is not of a permanent character. In fact, the practice till now followed was to allow the same as revenue and the Committee see no reason why the Income-tax officers should now follow a different practice. The Committee would, therefore, request your Board to kindly issue necessary instructions to Income-tax Officers to treat expenses for Qparrystone and Earthcutting and for Gallery driving as revenue.

The Committee would further point out that it is provided under Rule 8 to allow renewals of coal tubs, Winding ropes and Haulage ropes as revenue, but no provision has been made about their first costs. The Committee of the Chamber fail to appreciate why it has been decided to allow renewals on these items as revenue when the estimated lives of these assets are very short. In fact, it has been recognised on all hands in the coal industry that these assets do not last longer than two to three years. The Committee are not aware as to the reasons why the Board has considered it proper to allow renewals on these items as revenue but they would point out that the practice followed in

the past in this connection by the Income-tax Officers with each colliery has been somewhat different. In some cases, these expenses have not been allowed as revenue. The Committee would, therefore, suggest that the expenses on these assets both old and new should be allowed as revenue and depreciation at the rate of 57 per cent on coal tubs, Winding ropes and Haulage ropes, assuming their economic lives to be three years, as suggested by the various coal interests should also be allowed. Moreover, depreciation at the rate of 25 per cent should be allowed on the written down value of old assets and all new purchases should be treated as revenue. The Committee would further point out that in previous years, collieries were allowed double the rates prescribed for buildings. The reason for this was that buildings in the coal field areas suffer more deterioration due to the underground working and they require repairs more than buildings in other industries. In fact, the Royal Commission on Labour on India also recognised that the housing problem in mining areas presented features different from those in other industries and that the difficulty of obtaining sites with a solid foundation was a handicap to substantial housing schemes. The Committee are, therefore, strongly of the opinion that buildings in the coal field areas should be allowed double the rate of depreciation prescribed for buildings.

The Committee understand that the Indian Colliery Owners Association, Jhariah have already addressed the Central Board of Revenue in the matter and after considering the suggestions they have made, the Chamber are fully in favour of the same.

An early reply as to the steps your Board proposes to take in the matter would oblige.

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#### INCOME TAX RULES—AMENDMENT IN THE FORM OF RETURN.—

Letter No. 756 dated the 2nd April, 1941, from the Chamber to the Central Board of Revenue, (Income-tax).

#### *Re: Income-tax Rules.*

I am directed to refer to notification No. 10, issued by the Central Board of Revenue regarding certain proposed amendments to the Indian Income-tax Rules, 1922, and particularly to amendment No. (iii) included in the said notification. While the Committee note that the particular amendment sought to be made is only verbal, they would request the Government in this connection to make it clear that in respect of all the categories of persons mentioned in note 2 of the proposed amendment the declaration can be signed by a person who manages the affairs of the assessee or by a constituted Attorney. It may be pointed out that if the provision for signatures of the assessee in person is insisted upon, it may lead to considerable difficulty, particularly in cases where the assessee may be out of India or otherwise on long absence from the place of business. The Com-



mittee have no doubt that when such constituted Attorney or a person who manages the affairs of the assessee is entitled to sign on his behalf and to act for the principal in all proceedings, Government will have no objection in permitting the declarations to be signed by such person. The Committee would, however, request the Government to take this opportunity of amending the form for making the above clarification also.

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#### INCOME TAX RULES—AMENDMENT OF RULE 7.—

Letter No. 754 dated the 2nd April, 1941, from the Chamber to the Central Board of Revenue (Income Tax).

*Re: Income Tax.*

I am directed to refer to your circular No. 9, dated the 15th March, 1941, publishing the draft of an amendment in rule (vii) of the Indian Income-tax Rules, 1922. The Committee note that the words "annual value of the property" occurring in rule (vii) are to be qualified by the addition of the words "as diminished by the amount allowed for vacancies".

It may however be pointed out that section 9(1) of the Indian Income-tax Act clearly lays down the various allowances which are to be made from "the annual value of the property" for the purposes of arriving at the net assessable income from property. Sub-clause (7) of section 9(1) provides for the allowance to be made in respect of vacancies and specifically relates such allowance to "that part of the net annual value, after deducting the foregoing allowances". Rule (vii) of the Income-tax Rules in which an amendment is now sought to be made is governed by clause (vi) of section 9(1) and as there is already another clause (No. vii) specifically dealing with vacancies, the Committee submit that the proposed amendment is *ultra vires* of the Act. The Statute clearly lays down that the allowance in respect of vacancies is to be made from that part of the net annual value which remain "after deducting the foregoing allowances" and the Committee strongly object to the Government going back upon the Statute and diminishing the allowance in respect of collection charges (which falls under the category of "the foregoing allowances" specifically mentioned in clause (vii)) by deducting "the amount allowed for vacancies" from the annual value of the property when that amount is itself to be arrived at after deducting all the foregoing allowances".

It is also unfair to the assessee that the percentage of collection charges allowed from the annual value of the property should be diminished by the amount allowed for vacancies for, it may be pointed out that the establishment charges for collection remain the same irrespective ordinarily, of any vacancies. The Committee are therefore strongly of the opinion that the collection charges should not be diminished by reason of any vacancies.

In view of what has been stated above, the Committee strongly object to the proposed amendment in rule (*viz*) of the Indian Income-tax Rules, 1922, and trust that the Government will abandon the same.

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ALLOWANCE OF EXPENSES OF LABOUR WELFARE WORK  
FOR INCOME-TAX PURPOSES.—

Letter No. 1415 dated the 25th June, 1941, from the Chamber to the Central Board of Revenue.

I am directed by the Committee of the Indian Chamber of Commerce to invite your attention to the question of making allowance for expenses in respect of labour welfare work for Income-tax assessment purposes. The Committee would point out that employers of labour are expected in times like the present to make adequate provisions for labour welfare work. The Income-tax authorities however, make allowance for only such portion of these expenses as has been actually spent during the year on labour welfare work. As you will appreciate, this stands in the way of making adequate provisions for labour welfare work even if the employers desire to do so at present. The Committee would, therefore, suggest that if a sum of money is irrevocably set apart for labour welfare work, the whole amount thus set apart should be allowed by the Income-tax authorities by way of deduction. Only if such a provision is made, will, employers be able to provide for labour welfare work. Otherwise if they set apart a large sum of money for labour welfare work and the same is disallowed by Income-tax authorities on the plea that the money has not been actually spent, the employers will be placed to considerable disadvantage. The Committee would be glad, therefore, if you will kindly issue the necessary instructions so that amounts irrevocably set apart for labour welfare work may be allowed by Income-tax authorities by way of deduction. If this cannot be done by executive instructions, the Government can provide for this by incorporating a provision in this respect in the Amending Bill which, the Committee understand, the Government are soon introducing in the Legislative Assembly.

An early reply as to the steps proposed to be taken will oblige.

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ALLOWANCE OF A. R. P. EXPENDITURE IN ASSESSING  
BUSINESS INCOMES.—

Letter No. 837 dated the 19th/21st April, 1941, from the Chamber to the Government of India, Finance Department.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to refer to the question of air raid precautions.

His Excellency the Governor of Bengal had convened a Conference last month of the representatives of leading commercial organisations and it was made clear on behalf of the Government of Bengal, which was subsequently confirmed in a communique issued by them, that they could not provide "any form of concrete or steel shelter for members of the general public". Moreover, the Committee are informed that the question of the defence of Calcutta is "entirely the concern of the Government of India". The Committee feel that the public are not convinced that adequate steps have been taken for the defence of Calcutta from air raids. When vast sums of money are being spent on the defence of the country, the Committee hope that the Government would make adequate arrangements for the defence of this city which, being a most important centre for the war supplies to the east of Suez, is likely to be one of the earliest targets of air raids in the case of an attack from the East.

The Committee are strongly of the opinion that the Government being primarily responsible for the safety of the people, should give financial assistance for the building of air raid shelters etc. In any case, the Committee presume that the expenditure incurred by industrial and commercial concerns in providing shelters and making other necessary arrangements for the safety of their employees would be allowed as expenditure while computing the Excess Profits Tax, Income and Supertaxes. The Committee have also invited the attention of His Excellency the Governor of Bengal to this question and they trust that the Government of India will issue a communique making the position clear. In view of the importance of the matter, the Committee hope that Government will take early action in the matter.

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*Copy of letter No. 78/5/41-A. R. P. dated the 2nd June, 1941,  
from the Government of India, Home Department  
to the Chamber.*

With reference to your letter No. 837, dated the 19th April, 1941, regarding air raid precautions for Calcutta, addressed to the Government of India, Finance Department, I am directed to say that the press note dated the 11th March, 1941, issued by the Government of Bengal on the subject of protection of the general public against the effects of bombs in a possible air attack, already explained, what is practicable by way of providing shelters for the public in the circumstances obtaining in Calcutta, and the Government of India have nothing more to add to it.

2. As regards your presumption that the expenditure incurred by industrial and commercial concerns in providing shelters and making other necessary arrangements for the safety of their employees would be allowed as expenditure, while computing excess profits tax, income and super taxes, however, I

am to invite your attention to the circular\* R. Dis. No. 27(26)-I.T./41, dated the 15th April, 1941, (circular No. 25 of 1941) which the Central Board of Revenue have issued on the subject.

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Letter No. 2078 dated the 16th October, 1941, from the Chamber to the Central Board of Revenue.

I am directed to refer to Circular No. 25 of 1941, R. Dis. No. 27 (26A-I.T./41) dated the 15th April, 1941, issued by the Central Board of Revenue regarding allowances and admissibility of air-raid precaution expenditure in assessing business incomes. The Committee note that while the Government have been pleased to allow certain expenditure incurred by commercial and industrial concerns in air-raid precautions in the computation of Income-tax and Excess Profits Tax, it does not appear to have been made clear as to whether the same facilities would also extend to private persons who have to incur similar expenditure for safety. It will be appreciated that the expenditure is equally essential in the latter case also, and in order to encourage private persons spending money on air-raid precautionary measures, it is desirable that the facility of allowing such expenditure from income for assessment purposes should be extended to them also.

The Committee would, therefore, be glad if you will kindly confirm that expenditure incurred by private persons to protect their property against air-raids would be admissible as a deduction under Indian Income-Tax Act as in the case of commercial and industrial concerns.

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#### INCOME-TAX LAW IN BIKANER STATE.—

Telegram dated the 5th April, 1941, from the Chamber to  
Honorable Sir Jermy Raisman, Finance Member,  
Government of India.

*(Copy forwarded to Mr. J. F. Sheehy, Member, Central  
Board of Revenue.)*

Committee Indian Chamber Commerce understand Bikaner State passed Income-tax Act on lines British Indian Act Levying tax on income accrued not only within Bikaner State but also outside. Bikaner relies on getting half of tax realised in British India from its subjects and other persons who may technically be said to be resident in that State. Obviously Bikaner Relies on section 49A of Indian Income-tax Act. So far as Committee is aware required notification not yet issued. Committee understand Bikaner case different from other Indian States listed in Relevant Government Notification as so far as Committee is aware most of them have not sought charging

income accrued outside their states. Besides income earned by their subjects in British India not so considerable as by subjects of Rajputana States. Committee strongly oppose this move of Bikaner as seriously detrimental to interests of British India. Committee urge that there is no reason why British India should lose this revenue and further urge that if British India be in position to sacrifice revenue relief should be given to taxpayers here. Committee naturally apprehend that if Bikaner move succeeds most Indian States will follow suit and cause immense loss to British Indian Revenues thereby obstructing giving much needed relief to British Indian Tax-payers against existing heavy taxation. Committee therefore strongly urge Government intervene and prevent Bikaner from move proceeding with this.

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**EXEMPTION FROM INDIAN INCOME-TAX OF INTEREST DUE TO  
HOLDERS IN THE UNITED KINGDOM OF CERTAIN  
INDIAN PORT TRUST LOANS.—**

Letter No. 986 dated the 7th May, 1941, from the Chamber to the Central Board of Revenue.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the Reuters' message dated London April 3, 1941, regarding the payment of Indian Income-tax on interest due to holders in the United Kingdom of certain Indian Port Trust loans. It was mentioned in the report that when this question was raised in the House of Commons, the Secretary of State for India stated *inter alia* that the Government of India were "issuing orders that the deduction of Indian Income-tax at source is to be waived in those cases of sterling loans issued for public subscription before April 1, 1938, where the investor is entitled under the United Kingdom law to be paid without such deduction."

In the opinion of the Committee, section 42(2) of the Indian Income-tax Act, 1922, clearly lays down that the Government of India are entitled to insist upon deduction of Indian income-tax at the source on interest payable to holders in England of sterling loans raised by Indian Port Trusts to which the press message specifically referred. The Committee are unable to appreciate as to how "hardship would be caused by the enforcement of the law in the case of loans issued before the publication of the Income-tax Amending Bill". The Committee strongly feel that unless the Act itself specifically lays down any provision for granting relief in the matter of contracts or commitments made prior to the enactment of the amended law or the publication of the amending Bill, the Government of India would be going beyond their powers in extending such concession to holders of sterling loans in England by executive action. The Committee greatly deplore that while the Income-tax law is enforced so

rigidly in India and a very strict interpretation is put on the law so far as the Indian taxpayer is concerned, the Government of India have acceded to granting the concession to the taxpayer in England on ground of equity and hardship even though the Act does not permit the exemption of loans subscribed before the "publication of the Amending Bill".

The Committee are not aware whether meanwhile the Government of India have issued these orders but they strongly feel that such concession would be unfair to the Indian taxpayer by depriving Government revenues of their legitimate dues. The Committee would, therefore, urge the Government to reconsider the matter and not to waive the deduction of Indian Income-tax on interest accruing on the Indian Port Trust loans and other sterling loans in the case of which such tax is payable.

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#### METHODS OF INCOME-TAX ASSESSMENT.—

Letter No. 3779 dated the 3rd December, 1940, from the Chamber to the Board of Revenue.

I am directed by the Committee to address you on an important matter relating to the administration of Income-tax Law in Bengal. Lately, a certain officer of the Central Board of Revenue is on a visit to Calcutta as 'Director of Inspection'. The Committee are given to understand that this particular officer calls for the account books and records of assesseees after they have been dealt with by the Income-tax Officers and often cancels and charges even final assessments without the knowledge of the assessee and without hearing the latter's point of view. The Committee are not aware of what powers the Board has delegated to this officer but it has been demonstrated from his way of working that there is hardly any limit imposed upon his powers. He has caused the assesseees to be called up again after final assessment by the Income-Tax Officers with books and documents for past years. Books of current year have also been demanded and the Income-tax Officers are directed by him to keep the books in their custody. In many cases businessmen have been made to go without their current year books which has resulted in great inconvenience, harassment and in some cases even pecuniary loss to them. Moreover, next year, the same officer may question the genuineness of the books now being detained by the Department. Apart from these number of hardships caused to the assesseees, the Committee would like to point out that the Director has been found to be wanting in courtesy and in some case he has been definitely rude to the assesseees. A further result of the practice followed by the Director has been that the Income-tax Officers have also become unreasonable and often oppressive.

The Committee would further state that it may be that the Officer referred to has been deputed by the Board to keep an

increased check and prevent departmental frauds. The Committee are, however, strongly of the opinion that even if the officer had any status in law, which, so far as they are aware, he has not, it is against all principles of law as well as of fairness and equity that the account books and records of the assessee be subjected to a 'further scrutiny' behind the back of the assessee and over the heads of the Income-tax Officers and assessments previously made be changed or cancelled. Whatever devices the department might adopt to detect fraud and concealment, the Committee feel that such attempts must not override the law and should be directed along the line that causes the minimum of harassment and inconvenience to the taxpayer. The Committee further regret that at this juncture when the public are looking forward to the Income-tax Tribunal to meet the demand long overdue of having an independent judiciary for income-tax purposes, the Central Board of Revenue have thought fit to appoint a Director of Inspection.

The Committee shall be obliged if the Central Board of Revenue would give immediate consideration to the matter and take suitable steps to prevent undue harassment and inconvenience to the assessee.

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*Copy of letter No. C. No. 34(I)-I.T./41 dated the 15th January, 1941, from the Central Board of Revenue, to the Chamber.*

Director of Inspection—Examination of accounts by—  
Objection against.

In reply to your letter No. 3779, dated the 3rd December, 1940, I am directed to say that the appointment of a Director of Inspection under the Central Board of Revenue was made with a view to improving the income tax administration against which there are constantly recurring complaints of laxity and inefficiency. Whether there is any ground for these complaints or not, it is the plain duty of the Central Board of Revenue to make the machinery as efficient as possible, and in accomplishing this purpose it is hoped that the appointment of an experienced officer to supervise assessment work and advise Income tax Officers throughout the country will be of very great assistance. The Board is not prepared to admit that a more detailed thorough, and informed scrutiny of assessee's accounts can be described as 'harassment'. It is not necessarily or even primarily a question of detecting fraud or concealment of income but of improving the standard of performance of the difficult task assigned to an assessing officer.

2. So much for the general question of the appointment. On the particular matters dealt with in your letter the Board is informed that the complaints are without foundation. Action in every case has been taken by the authority empowered under the Income tax Act to take it and the Board can not admit that

an assessee has a right to complain if the assessing officer is assisted in his task by a more experienced officer.

3. Your Committee in regretting that the Board should have thought fit to appoint a Director of Inspection just when the Income tax Tribunal was about to function is confusing two different lines of development. On the one hand, by the institution of separate Appellate Assistant Commissioners and of the Appellate Tribunal, Government are trying to give the tax-payer appellate authorities in which he will feel that there is no official bias against him. On the other hand, however, and as an entirely separate development, Government must proceed with its attempts to tighten up and improve the Income tax administration. From those attempts no honest tax-payer has anything to fear.

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Letter No. 1067 dated the 19th May, 1941, from the Chamber to J. F. Sheehy Esq., I.C.S., Member, Central Board of Revenue.

The attention of the Committee of the Indian Chamber of Commerce, Calcutta, has been drawn to the state of panic that exists at present among the Indian assesseees in Calcutta. You are aware that even before the amendment of the Income-tax Act, the Committee had occasions to bring to your notice certain grievances of the assesseees against the method of assessment as then practised. Since then, the Income-tax Act has been amended and many stringent provisions introduced in the law which the assesseees consider to be hardly reasonable. The assesseees were not able to reconcile themselves to the position thus created, when events began to happen in Calcutta which resulted in great hardship to them and even the stringent provisions of the law began to be far exceeded in their practical application to assessments. It was under these circumstances that the Committee of the Chamber took the occasion to address the Secretary, Central Board of Revenue in December 1940, regarding the seriousness of the situation as it was then developing. More recently, however, the situation has been very much aggravated. Assessment files have been pending for considerably long periods. Anyhow, a Central Commissioner has been appointed to whom hundreds of files of Indian assesseees have been transferred. New men unacquainted with the business methods and accounting systems in Calcutta have been transferred from other areas to assist the Central Commissioner. The manner in which the files have been selected for this purpose shows that while there is discrimination between Indians and Europeans, there is no discrimination between people whose honesty has never been in question and others. It is, in fact, openly said that the Government of India needs money for war purposes and it is their (assessing officer's) duty to collect money, law or no law. The very fact that assesseees have ventured to make this grievance in spite of the dangers that



they run thereby proves the correctness of the statement and shows the seriousness of the situation.

The Committee realise that the Government of India is entitled to recover taxes on income as authorised by the statutes, nor do the Committee have any sympathy with those who evade taxes by undesirable means. But, you will agree, that it becomes a torture if the law begins to be twisted against the assesseees and if the Assessing Officer begins to proceed upon suspicion, imagination and instructions from higher authorities and upon unjustified interpretation of entries, merely from guess and not upon a reasonable appreciation of all the facts and evidence bearing upon the case.

The Committee have sufficient confidence in you to believe that you will not permit the present alarming position to continue. It has already created great resentment in the minds of the Indian mercantile community and the Committee venture to suggest that steps should be immediately taken to see that the panic and ill-feeling which are being created should not be allowed to continue. A stage may soon be reached when, as a result of the harassment a good portion of the Indian mercantile community may find it impossible to continue their business.

The Committee further beg to suggest that in view of the seriousness of the situation some representatives of the Indian mercantile community should meet you and on hearing from you as regards the time and place, the Committee will be glad to arrange it and send their names to you.

An early reply will oblige.

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#### WAR RISKS (GOODS) INSURANCE (AMENDMENT) ORDINANCE, 1941.—

Letter No. 815 dated the 16th April, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: War Risks Insurance.*

I am directed to refer to the Government of India Notification (Tariffs—War) No. 12-W.R.I./41 dated the 1st April, 1941, regarding the substitution of revised instructions 9 and 10 in the third schedule appended to the War Risks (Goods) Insurance Rules, 1940, relating to the rate and the calculation of premium. While the Committee have already conveyed their objection to the Government of India regarding the increase in the rate of premium from 1/32 to 1/16% per month, I am now desired to invite your attention to the instructions regarding the calculation of premium. As explained in the Government communique at the time of the promulgation of the W. R. I. Ordinance, the whole scheme is framed on a quarterly basis and the Government of India had declared that they will retain the power to change the rate of premium each quarter if necessary. The wordings of instruction No. 10 relating to the

calculation of premium, however, give the impression that the present rate has been fixed for the whole year as the rates for insurance effected during each of the four quarters beginning in April, July, October and January are given in the clause. The Committee would, therefore, request you to kindly enlighten them on the matter as to whether the present rates had been fixed for the whole year. As the Committee have already pointed out, the Government have not so far justified their action in doubling the rate of premium and they urge that, presuming that the circumstances remain unchanged, the rates should be revised at the end of the present quarter so as to bring them down to their original level.

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*Copy of letter No. 49-T.W.(16)/41 dated the 29th April, 1941, from the Government of India, Department of Commerce to the Chamber.*

Subject :—War Risks (Goods) Insurance Rules, 1940—  
Amendment to Third Schedule.

With reference to your letter No. 815 dated the 16th April, 1941, I am directed to say that as would appear from this Department notification No. 11-W.R.I./41 dated the 22nd March, 1941, the rate of premium has been fixed @ one anna per hundred rupees per month or part thereof for the quarter ending the 30th June, 1941.

The amendment to "Instructions" as contained in the Third Schedule of the Rules, only gives an explanation of how the premium is to be calculated and is to be read with the notification referred to above.

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#### INCREASE IN THE RATE OF PREMIUM FOR WAR RISKS INSURANCE.—

Telegram dated the 20th March, 1941, from the Chamber to the Government of India, Department of Commerce.

Your Telegram intimating increase war risks premium rate from half anna to one anna from 1st April, Committee Indian Chamber strongly feel Government should have consulted commercial community before taking such action. Only few days ago Finance Member budgetted rupees 63 lakhs as revenue from this source. Commercial community unable support measure as Government have not established necessity or desirability of increasing premium rate by as much as hundred percent. In United Kingdom also risk rate only four times the increased rate in India in spite of fact that risk there is considerably greater immediate and everpresent. Committee therefore protest against increase in war risks insurance rate which would weigh heavily on commercial community particularly traders in mofussil and interior.

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DESIRABILITY OF GIVING PROTECTION TO INDIAN  
INSURANCE COMPANIES.—

Letter No. 523 dated the 3rd March, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Insurance Law.*

With reference to the Bill further to amend the Insurance Act, 1938, I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the desirability of giving protection to Indian insurance companies. As is well known to the Government, insurance business in India particularly general insurance, is largely concentrated in the hands of non-Indian insurance companies who far out-number Indian concerns so far as companies carrying on purely general insurance business are concerned. On account of their varied business connections not only in India but also outside and on account of their vast resources, the non-Indian concerns have been able to offer all along a very severe and cut-throat competition in the matter of insurance business to Indian insurance companies. The indigenous insurance companies which are comparatively of recent growth have not been able to grow and expand as they should have done on account of competition from the well-established and stronger non-Indian concerns. It need hardly be emphasised that the growth of insurance business is one of the fundamental factors on which the general economy and industrial development of the country depends and the Committee, therefore, strongly feel that the Government of India should take measures to protect and encourage indigenous insurance companies by adopting the following proposals:—

- (a) All insurance controlled by the Government should be placed with Indian insurance companies.
- (b) Government should insist upon all local and other quasi-governmental bodies such as the Port Trusts, Improvement Trusts etc., and institutions receiving Government aid to give preference to Indian insurance companies in the matter of insuring their properties.

The Committee would like to point out that these suggestions were also made by the various commercial organisations and insurance associations to the Government in 1937, when the present Insurance Act was under consideration of the Government and the legislature. Now that a Bill to amend the Insurance Law has again been brought forward by the Government, the Committee strongly urge that the opportunity should be availed of to give effect to the suggestions made above in order to encourage the growth of Indian insurance business which, as pointed out above, is so vital for the general economic advancement of the country. The Committee trust that the Government of India would give their careful consideration to these suggestions with a view to adopting the same.

INVESTMENTS OF LIFE ASSURANCE COMPANIES AND  
GOVERNMENT SECURITIES.—

Letter No. 1589 dated the 21st/22nd July, 1941, from the  
Chamber to the Government of India,  
Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the question of investments of life insurance companies and Government securities. Under the Insurance Act, 1938, as recently amended, every insurer incorporated or domiciled in British India is required to invest and hold invested 25 per cent in Government securities and a further 30 per cent in Government securities or other approved securities or securities of or guaranteed as to principal and interest by the Government of the United Kingdom. The Committee would point out that this legal requirement compelling Indian life offices compulsorily to invest full 55 per cent in Government approved securities under section 27 of the Insurance Act of 1938, is detrimental not only to the interests of the insurance companies but also ultimately to that of the policy holders which the Insurance Act is primarily designed to protect. The Committee would further point out that this requirement is also contrary to the combined experience of the British life offices extending to over a hundred years, as also the experience of life offices operating in other countries, like Canada, where life insurance has developed to a high degree. The distribution of the assets of British insurance companies, which not only provides the highest degree of safety and security required but also yields the highest rate of interest obtainable consistent with such security is as under:—

- (a) Mortgage Loans (b) Policy Loans (c) British Government securities (d) Indian and Colonial Securities (e) Foreign Securities (f) Municipal and County Bonds (g) Debenture Stocks (h) Preference Stocks (i) Ordinary Stocks (j) Properties and Ground Rent (k) Reversions (l) Cash and Stamps (m) Agency Balances etc. (n) Establishment Accounts etc.

Out of these, the assets of the British life offices were distributed in British Government securities and Indian and Colonial securities to the following extent in the years 1913, 1922 and 1937:—

	1913	1922	1937
British Government securities ...	1·0	35·0	17·5
Indian and Colonial securities ...	7·9	7·8	6·6

The year 1913 shows the trend of investments immediately prior to the last great war, when business conditions were practically normal. The year 1922 is taken to show the year of maxi-

mun investments in Government securities after the international reconstruction which followed the last great war.

In the United States also Government bonds have never been considered desirable investments by American Life offices. Their holdings in Government bonds in 1906 was 1 per cent, in 1926—4.1 per cent, in 1930—1.8 per cent and 1934—7.3 per cent.

The Committee would further point out that the position in India, on the other hand, is entirely different. It was estimated in 1939 that out of the total assets of insurance companies amounting to more than 61½ crores of rupees, 52 per cent of the same were locked up in Government securities while only 7.18 per cent were available for industrial securities. The Committee recognise that the heavy holding of Government securities of certain insurance companies unduly influences the above percentage but notwithstanding the same, the fact remains that each individual Indian life office is compelled by the Insurance Act to invest full 55 per cent in Government and approved securities. The Committee learn that this requirement considerably narrows down the scope of insurance companies for diversifying their investments to be able to realise a fair yield on the same. Government securities have been found to be not good for investment purposes owing, not only to the extremely low interest yield but also its liability to market fluctuations. During the period of 1914-21—3½ per cent Government paper depreciated from 98 to 90, 80, 70, 60 and even touched 52. During the political panic of 1931, Government loans again touched to 50 (on 26th September 1931) and as recent as September, 1939 on the outbreak of the war, they collapsed and went down to 81¼. The prices to-day varies from Rs. 94 to Rs. 98. The Committee need hardly point out that these fluctuations in the prices of Government securities place the insurance companies to considerable disadvantage and Government securities have not therefore been considered to be good for investment purposes. Expert opinion in the west also state that Government securities have not been for many years seriously entertained as investments for life insurance funds. The Committee would further state that the restriction on the interest earning power of Indian life offices as a result of the compulsory investment in Government securities not only retards their progress but also undermines the capacity of the insurance companies to render useful service to their policy holders.

The Committee are, therefore, firmly of the opinion that the compulsory investment requirement under section 27 of the Indian Insurance Act should be deleted and compulsory investment should be reduced to 10 per cent in Government securities and 15 per cent in approved securities including loans on policies and deposits. The Committee feel that when the Government of India desire Indian insurance companies to adopt British standards for valuation and other purposes, it is only fair that

they permit the Indian companies the same degree of latitude and freedom in investment matters as the British life offices enjoy. It is not reasonable that the Government of India should set up their own standard which is contrary to insurance investment practice all over the world and enforce it by legislation even though the same considerably restricts the earning power of Indian insurance companies. The Committee would therefore strongly urge that the Government should undertake the necessary legislation as early as possible to amend the Insurance Act as suggested above. In case the Government are not able to undertake immediate amendment of the Act, the Committee would suggest that the statutory deposits made under section 7 of the Act be included in Government securities required for investment under section 27 and the definition of approved securities be enlarged so as to include trust securities and Head Office Buildings, and Loans on Policies.

The Committee trust the Government would give careful consideration to their suggestion made above.

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**REFUSAL OF CERTAIN EXCHANGE BANKS TO ACCEPT POLICIES  
ISSUED BY INDIAN INSURANCE COMPANIES.—**

Letter No. 1691 dated the 6th August, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to invite reference to this office letter No. 1947 dated the 19th September, 1939, regarding refusal of certain exchange banks to accept policies issued by Indian Insurance Companies. The Committee had some correspondence on the subject also with the Reserve Bank of India last year and the Bank had replied that they understood that the Government of India had already forwarded to the Chamber a copy of the proposals regarding Banking Legislation and any suggestion that the Chamber might desire to offer on the question might therefore be forwarded to the Government for consideration. The Reserve Bank, however, hoped that before making any suggestion in this connection the Chamber would consider the desirability of collecting the relevant data in support of their representation. As regards the Chamber's suggestion that the Reserve Bank should circularise to the Scheduled Banks deprecating the practice, the Reserve Bank stated that they were doubtful whether it would serve any useful purpose to circularise the banks officially. If actual cases could be, however, reported even confidentially they stated that they would see what could be done in the matter. After collecting relevant information from member Insurance Companies, the Committee addressed a letter to the Reserve Bank of India giving instances in which banks had refused to accept policies of certain Indian Insurance Companies. The Committee pointed out that such a practice

was a handicap to the development of Indian insurance business as it placed insurance companies to a considerable disadvantage.

The Committee have not however heard from the Reserve Bank of India on the subject since then. The Government of India on the other hand have postponed the Banking Legislation for some time.

The Committee have, however, received several complaints that the refusal of certain Exchange Banks to accept policies issued by Indian Insurance Companies is operating as an undue handicap to the growth of the Indian Insurance business. The Banks decline to accept the Policies of Indian Companies even though the reputation of the Company is high. The reason for this is that very often the Bank or its nominee are holding the agency of one or more Insurance Companies and are thus directly or indirectly interested in securing business for that Company. It is, therefore, to their advantage to bring pressure to bear upon their clients to have their insurance placed with Companies which the Banks represent.

The Committee would further state that when the Insurance Company concerned takes up the matter with the Bank which refuses to accept their policy and enquires the reason of such refusal the argument advanced by the Bank is generally that the Insurance Company does not keep accounts with the said bank. It will be appreciated that it is not possible for an Insurance Company to have bank accounts with all the Exchange banks in India. The Committee would further point out that very often plant, machinery and stocks of considerable value have to be hypothecated with large banks for facility of finance. In such cases the owners of the goods are sometimes compelled against their will to effect their insurance with Companies approved by the Bank concerned, and in almost all the cases the Company of Bank's choice is a non-Indian Insurance Company. The Committee feel this amounts to taking undue advantage of the influence of the banks upon the parties concerned and it is not only against the interests of Indian Insurance Companies but is also definitely unfair in principle.

The Indian Insurance Companies endeavour to impress upon the public their soundness and strength as also the advantages they offer. But whatever success they achieve in this direction is often completely wiped off when the banks refuse to accept the policies of those Insurance Companies for goods hypothecated with them and insist upon policies being taken in particular Companies preferably British. This sort of conduct unduly hampers the development of the Indian Insurance business.

The Committee would, therefore, suggest that the Reserve Bank of India should direct the Scheduled Banks (1) to refrain from the exercise of undue pressure upon their clientele in the

matter of insurance of hypothecated goods; and (2) not to refuse acceptance of policies of sound Indian Insurance Companies. The Committee would also suggest that provision should be made in the Bank Act to prevent Banks or their employees or nominees from holding agencies of Insurance Companies.

In view of the serious handicap to which Indian Insurance Companies are placed to, on account of this practice of the Exchange Banks, the Committee trust you will look into the matter immediately and see that the policies of Indian Insurance Companies are accepted by all Exchange Banks.

An early reply as to the steps proposed to be taken will oblige.

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#### DIFFICULTIES EXPERIENCED DUE TO RESTRICTIONS ON IMPORTS AND IRREVOCABLE LETTERS OF CREDIT ESTABLISHED BY BANKS.

Letter No. 279 dated the 8th February, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the position of various exchange banks who have opened irrevocable and without recourse letters of credit *vis-a-vis* restrictions on imports of various articles now imposed by the Government of India. The Committee would point out that various exchange banks have opened irrevocable and without recourse letters of credit in respect of goods, the imports of which into the country have now been either prohibited or restricted by the Government. As the Government may be aware, the banks generally establish letters of credit for the party after taking only a small marginal deposit. However, when the party finds that the goods in question have been included in the import restrictions and that either they will be confiscated by the Government or delivered only on payment of a heavy penalty, which they can not afford to pay, in view of the fact that they will have to sell the goods in the market at a profit, they will naturally refuse retirement of the drafts presented by the banks. On the other hand, the banks can not avoid the goods being brought to the country for, though it is possible in some cases to cancel the orders, it is not always possible to do so and the agents of the manufacturers would naturally therefore try to fulfil their commitments. The Government would appreciate, therefore, that in such cases, the position of the banks who have opened irrevocable letter of credit would be very difficult because they would stand to lose a considerable amount obviously for no fault of theirs. The Committee of the Chamber are strongly of the opinion that such a position needs to be remedied immediately and they would suggest that the Government should therefore exempt from the import restrictions such goods which are already on order, on the day on which the notification is issued and for which letters



of credit have also been opened by the bank. The Committee are aware that the import restrictions mainly aim at preservation of dollar currency but they feel that such an exemption will not considerably affect the policy of the Government in this respect. Moreover, there is no likelihood of the exemption being abused, for example by parties making new contracts but representing them as to have been entered into before the date of the notification, for, the Government can immediately demand documents from the bank to show that irrevocable letters of credit had been established by the bank for that particular order prior to the date of the notification. The Committee believe that it will be only fair if an exemption as suggested above is granted. In view of the considerable losses to which a number of banks would otherwise be placed to, the Committee trust the Government would take early action to exempt all goods already on order on the day of the notification and for which an irrevocable letter of credit has been established, from the operation of the notifications imposing import restrictions.

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IMPOSITION OF A FEE FOR REGISTRATION OF FACTORIES UNDER  
THE FACTORIES ACT, 1934.

*Copy of letter No. 344(11)-Com. dated the 3rd February, 1941,  
from the Government of Bengal, Department of Commerce  
and Labour to the Chamber.*

I am directed to forward herewith a copy of a memo.\* regarding the proposal to impose a fee for the registration of factories under the factories Act, 1934, and to request that Government may be favoured with the considered view of your Chamber on the question by the 31st March, 1941.

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Letter No. 488 dated the 25th February, 1941, from the Chamber  
to the Government of Bengal, Department of  
Commerce and Labour.

I am directed to invite reference to your letter No. 344(11)-Com. dated the 3rd February, 1941, regarding proposal to enforce a fee for the registration of factories under the Factories Act, 1934. The Committee note that the Government are of the opinion that it is neither reasonable nor equitable to ask the general body of taxpayers to pay the entire cost of factory administration for the welfare of commercial concerns and accordingly propose to impose a fee for the registration of factories by amending the Act and its application to this province so that the Provincial Factories Inspection Department may be self-supporting as far as possible. The Committee find that it has not been made clear in the memo attached by the Government to their letter whether the tax would be paid only once by

a factory or whether it would be a recurring one. Moreover it is not explained whether only new factories will have to pay the same or the old factories will also be subjected to the tax. In any case, the Committee are opposed to the proposal of the Government, for, as the Government are well aware, industrial concerns have already to bear an ever increasing amount of burden at present; while on the one hand they are handicapped in obtaining necessary raw materials from foreign countries on the other, the burden of taxation has already been greatly enhanced by increase in Income-tax, railway rates, postal rates as also by the imposition of new direct taxes like the Excess Profits Tax and the proposed Sales Tax. The Committee, therefore, believe that it is not reasonable to impose an additional burden on the factories by way of a registration fee. They would further point out that so far as they are aware, in no other province, the Government have imposed such a registration fee for factories. The Committee, therefore, feel that if a fee is introduced in Bengal, where industrial development is still not in a very advanced state and where there is scope for considerable development, it would retard such progress and would certainly not be in the best interests of the Province.

The Committee are further unable to agree with the statement in your letter that it is neither reasonable nor equitable to ask the general body of taxpayers to meet such general costs of administration for the welfare of commercial concerns. As the Government will appreciate, development of industries do not merely benefit the commercial concerns but also the workers and the large class of cultivators producing raw materials useful to the industries, besides being beneficial to the community as a whole in many indirect ways. The Committee, therefore, believe that it would be proper to take a broader view in the matter and not consider the working of industries as benefitting merely the commercial concerns.

In view of the observations made above, they trust that the Government would not proceed with the proposal to levy registration fees for factories.

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#### RULES UNDER THE BENGAL MONEYLENDERS' ACT, 1940.—

Letter No. 1043 dated the 23rd/24th June, 1941, from the  
Chamber to the Government of Bengal,  
Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to section 3 of the Bengal Moneylenders' Act, 1940. The section provides that the Provincial Government may, by notification in the official Gazettee, declare any bank to be a notified bank for the purposes of the Act, provided that no bank shall be so declared to be a notified bank unless it complies with such conditions as may with

the approval of the Provincial Legislature be prescribed. The Committee would point out that when the Moneylenders' Bill was before the Assembly, the Government in the beginning exempted all banks from its operation. Subsequently, however, all banks were included within the purview of the Bill, but finally only such banks as were Scheduled banks on the 1st January, 1939, were exempted from the operation of the Act. This has placed the other banks conducting business in the Province not exempted from the operations of the Act which are by the way not few in number, to considerable disadvantage as compared to the exempted banks as they have to abide by all the provisions of the Act. Section 3 of the Act empowers the Government to declare such banks to be notified banks for the purpose of the Act and exempt them thereby from these handicaps, but as the Government have not framed any Rules under section 3, these banks cannot take advantage of the provisions of this section. The Committee would, therefore, request the Government to frame Rules under section 3 of the Act as soon as possible. In view of the considerable handicap to which the banks which have not been exempted are placed, the Committee trust the Government will take early action in the matter.

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## INDUSTRY AND LABOUR.

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### GOVERNMENT OF INDIA'S INDUSTRIAL POLICY.—

*Copy of a letter No. O-2020 hid./41 dated the 13th May, 1941,  
from the Government of India, Department of Commerce,  
to the Chamber.*

I am directed to acknowledge your letter No. 918 of the 28th April, 1941, embodying the remarks of your Committee on the speech delivered by the Commerce Member in the Legislative Assembly on the 17th March, 1941. The Commerce Member is thankful to the Committee of your Chamber for the very detailed and exhaustive criticism to which it has submitted that speech. I am, however, directed to point out that much of the criticism is not borne out by the contents of that speech and the Commerce Member can only regret that though the criticism of your Committee is elaborate, the study of the speech has not been as close as he would like it to have been. I may point out that the speech so far from suggesting that no further industrialization is necessary or uttering "a note of warning against further industrial development" definitely stated that there was a large field for further industrial development and gave instances of such development even during the course of the war. The suggestions made in the speech for further survey, the activities of the Board of Scientific and Industrial Research and of the Industrial Research Utilization Committee, the promise of protection after the war given to certain industries which may be

developed and other aspects of the work of the Commerce Department must convince your Committee that nothing could be further from the intention of the Commerce Member or of the Government than to suggest that a halt may be called to industrial development or that such development should be discouraged. The Commerce Member, however, feels that it would be more profitable if instead of entering into an academic discussion on any of the points raised in your letter which, incidentally, he feels has failed to appreciate adequately the salient features of that speech, he were to avail himself of the help which your Chamber can give in the constructive work before Government of helping the industrialisation of the country. I am, therefore, directed by the Commerce Member to request your Chamber to put forward definite suggestions as to what particular industries can be developed at the present time and how and to what extent Government can help in the development of those industries. Practical suggestions on this matter would be of far greater help. I am, however, to add that Government are in full possession of all the literature regarding the development of three industries which have been constantly referred to in the press recently—the air-craft industry, the ship building industry and the automobile industry—and that Government will be thankful for your suggestions with reference to industries other than these. The Commerce Member has also noted your comments on his reference to the Fiscal Commission's report and recommendations. In this connection also Government would be glad to have your constructive suggestions as to how the formula may be revised and whether any conditions should be laid down at all before either an assurance of protection is given to an industry or protection is granted to the industry. The Commerce Member hopes to have your suggestions on the points raised above at as early a date as possible.

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Letter No. 1428, dated the 30th June, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed to refer to your letter No. O-2020-hid/41 dated the 13th May, 1941, in reply to my letter No. 918 dated the 28th April, 1941, embodying the observations of the Committee on some of the important points arising out of the speech delivered by the Hon'ble the Commerce Member in the Legislative Assembly on the 17th March, 1941. The Committee would like to assure the Commerce Member that his speech was studied with the utmost attention and care. Their previous communication did not, however, purport to be a comprehensive review of the Commerce Member's policy but only offered the Committee's observations on some of the broad features of his speech referred to above. In particular, it gave expression to the feeling of disappointment left after perusal of the speech especially with regard to the note of warning and caution so repeatedly found

in it about the dangers of 'unbalanced economy' or a too rapid pace of industrialisation. The Committee consider that in the present conditions obtaining in India the emphasis should rather be on more industrial development in order to secure a balanced economy, diversification of economic pursuits, diminution of the pressure on land and a rise in the standard of living. Industry can, in other words, subserve agriculture and make it more remunerative.

The Committee agree that during his regime, the present Commerce Member has taken certain measures such as the establishment of the Board of Industrial and Scientific Research, the Industrial Research Utilisation Committee and the Export Advisory Council which are sure to be helpful to the economic and industrial development of the country. But, it will be appreciated, that even industrial research cannot prove fruitful or its results cannot be adequately utilised unless and until the *entrepreneur* or the industrialist is assured that such governmental support and assistance as would be required to face the full blast of foreign competition in the post-war period would be readily forthcoming. While, therefore, all measures which tend to promote industrial and scientific research are not only welcome but also essential, their utility eventually depends on the industrial policy of the Government. The Committee recognise that in his various speeches in the Central Legislature as well as outside, the Commerce Member has announced policies in respect of protection of such industries as are required for war needs and on account of war conditions. The real value of this assurance which is itself limited in scope and in its application, can, however, be gauged only by the manner in which it is applied to particular instances and translated into an active industrial policy. What is needed at the present stage is that the Government should of their own accord consider the lacunae in the industrial and economic structure of the country and be prepared not only to promise help to new industries even before they are started but also to assist in their establishment. The Committee need hardly emphasise that the value or the effectiveness of the industrial policy of the Government does not depend upon a mere declaration of policy or upon this particular measure or that action but is fundamentally a question of the outlook of the Government towards national industries and of the spirit in which their problems and difficulties are viewed and treated by those in authority. The question is mainly one of the psychology of those who have to deal with industries and it is only when a spirit of helpfulness and encouragement inspires the authorities concerned that problems such as those of protection or stores purchase or utilisation of research and the like can be satisfactorily dealt with.

The Committee appreciate the spirit in which the Hon'ble the Commerce Member has now expressed the desire "to avail himself of the help which this Chamber can give in the constructive work before Government of helping the industrialisation of

the country". They feel that the question "as to what particular industries can be developed at the present time" is only of secondary importance and one on which the Government themselves, with their knowledge of the comprehensive survey carried out by the Roger Mission and in connection with the Eastern Group Conference as also of work in connection with war supplies programme, are in a better position to throw more light. What is of primary importance is, as pointed out above, the question of the outlook of the Government. The Committee would, however, refer to certain concrete measures which the Government could take in order to help the development of industries.

But, before they proceed further, the Committee have to point out that they cannot understand the significance of your stating that the Government "do not require any suggestions with regard to the three industries of aircraft, ship building and automobiles because they are in full possession of all literature in that connection" nor can they accept its implications. The Committee have to observe that in their previous letter No. 918 of the 28th April, 1941, addressed to the Government on the subject, there has been no mention of these three industries at all because that letter dealt mainly with general principles and issues arising out of the Commerce Member's speech. The Committee, however, feel that while discussing measures which the Government might undertake to help industries, it is not possible to avoid a mention of these industries because, in certain respects, they illustrate very aptly the unsatisfactory attitude of the Government towards Indian efforts to build up key and heavy industries and indicate the difficulties and obstacles of promoters of new industries in this country. For example, the aircraft industry could have been established at least a year before the final orders were placed by the Government if the authorities had imagination, responsiveness and zeal for establishing a vital industry of this character in India which would be useful for the defence not only of India but of the British Common Wealth itself. Similarly, despite the vital need of ships by Britain and India alike and of a long-range policy because of the uncertainty of prolongation of war, shipbuilding is not being treated or encouraged as a part of war efforts and the industry is experiencing numerous and serious obstacles in regard to priority for steel, machinery, machine tools etc. Although a concrete proposal was made by a high Government official himself exactly a year ago for the bodily transfer of the equipment of a shipbuilding yard from the United Kingdom, the Government of India have not been able to induce His Majesty's Government to take a reasonable or far-sighted view of this matter, while the Committee understand that such bodily transfer of entire plants from U. K. to Australia has taken place even during this period. The Committee would add that even from the view-point of Britain, leaving apart India's claim altogether, the distribution of centres of production and construction would have been immensely helpful.

The case, however, is worse as regards the automobile industry and brings out precisely the objections which the Indian industrialists and the public to-day have against the Government's industrial policy. For, when help of one sort or another was demanded for this industry before the war, it was denied on the ground that the claim of the industry did not satisfy the criteria laid down by the Fiscal Commission. The Government did not even agree to maintain the level of revenue duties in force for a few years or to give concessions in regard to imports of machinery and spare parts or to agree to place orders with this industry for Government requirements. During the war also, the Government's attitude has been equally unsympathetic and the authorities have turned down every proposal for State aid despite the Defence Department's requirements of vehicles. The Committee are not concerned with any particular project of automobile industry because there may be more than one scheme in view in such a large country but what they do insist on is the fact that the policy adopted in regard to this major industry has made impossible its early establishment.

The Committee would now place before the Government a few "practical suggestions" as to how Government can help in the development of indigenous industries.

Firstly, it is essential that the Government of India should come forward with an assurance of protection when approached by industrialists. In many cases, there are existing revenue duties and the Committee feel that if industrialists approach the Government to assure them that protection, atleast to the level of the existing duties, would be continued, and that Government would give further necessary protection during the postwar period, such an assurance should be readily forthcoming. The Committee have already pointed out above that in a particular case, the Government did not even agree to maintain the level of revenue duties already in force for a few years so as to enable the new indigenous venture to stand on its own legs.

Secondly, Government can encourage industrialisation by extending their patronage in the matter of purchases particularly at the present time when large scale purchases are made by the Supply Department of the Government in connection with the war. Since the outbreak of the war, the Supply Department has already made purchases in India of goods worth about 100 crores of rupees. The Committee cannot help observing here that the policy of the Supply Department in the matter of placing these orders has not been conducive to national economic interests. The Committee would invite the attention of the Government to the complaints that have been made to them from time to time on behalf of the Indian commercial community in this connection. There has been a general feeling among the Indian commercial community, which is not without foundation and which is borne out by practical experience of many Indian industrialists, that there has been discrimination in favour of non-Indian interests

in such purchases. The Supply Department of the Government of India is in a position, by regulating its purchases, to extend a large amount of patronage to indigenous industries without, in any way, jeopardising the interests of the war supply programme. The Committee need not emphasise that Indian concerns are entitled to patronage and even preference from the Government in their purchasing programme. The Committee are, however, convinced that this cannot be put into effect unless Indian nationals occupy key positions in the Supply Department, which is at present manned in almost all controlling positions by non-Indians.

Apart from the above, there are various other small difficulties which the Government can and should remove. The Government should grant reasonable tariff concessions for imports of essential raw materials or parts of machinery required for the manufacture of articles in India. In the present war conditions, again, various kinds of priorities have to be obtained from the Government for getting machinery, machine tools and raw materials etc., and there should be no delay or red-tapism and obstruction in the grant of necessary import permits or of dollar exchange facilities. The Committee may point out in this connection that for some time past, at the instance of the British Purchasing Commission in the United States of America, certain restrictions have been placed on the export of articles from that country. The Committee very much regret to note that whereas almost all other Empire countries are exempted from these restrictions, India alone is subjected to them. Exports from America of certain articles specified under this Notification are not allowed except under a release certificate issued by the British Purchasing Commission in that country and the latter body in its turn does not issue release certificate till approached by the Government of India to do so. It is, therefore, essential that whenever the Government of India is approached for recommendation to the British Purchasing Commission, they should cable such recommendation without any vexatious delay. The Government of India should also see that such unfair discrimination as has been made against India is done away with without delay and India is also exempted from the operation of these restrictions like other Empire countries. Similar recommendation is also necessary to the Government of U. K. in the case of imports of machinery and machine parts from the United Kingdom. Government should also help in the matter of securing the necessary shipping tonnage for essential imports as also to obtain necessary exchange facilities. It has been brought to the notice of the Committee that instead of helping Indian concerns in obtaining their requirements, Government have, on the contrary, taken over machinery ordered by industrial concerns when, by a little foresight, Government themselves could have ordered and secured similar supplies for themselves. Government should also help industrial concerns in securing the services of the necessary technical personnel. These may appear



to be relatively minor questions but they do, in fact, handicap and restrict the immediate establishment and growth of several industries. In dealing with all these matters, what is needed above all, is a change of spirit on the part of the Government to one of solicitude for and active interest in Indian enterprise instead of meticulous and dilatory process of investigation and red-tapism.

The Committee may further point out in this connection that the foreign exchange policy which the Government of India have been following presumably at the instance of the British Government has also not been to the best interests of the country. While it may be necessary to conserve dollar exchange, it may be pointed out that so far as Australia and other Dominions are concerned, they were permitted to utilise their accumulated dollar balances primarily for securing their essential requirements from the United States of America. In India, however, exporters have to surrender their dollar exchange before they are given export permits and the utilisation of a large part of these dollar accumulations in connection with the Sterling debt repatriation scheme has to that extent deprived the commercial community of getting the advantage of such accumulations of Exchange in furtherance of industrial development.

The Committee take this opportunity to suggest that as various kinds of restrictions and regulations are imposed from time to time on trade, particularly with regard to imports and exports, the information relating to such restrictions, and particularly with regard to the procedure to be followed, should be made available to the public in a simple and easily understandable form.

The few suggestions noted above are merely illustrative and not exhaustive. As pointed out above, the matter is really one of change in the whole outlook of the Government. It is necessary that the Commerce and Industries Department of the Central Government as well as the Communications and Finance Department should have a fundamentally national outlook and should be inspired by zeal and earnestness to promote Indian economic interests. If the Government are in earnest with regard to further industrialisation, they should appoint a National Industrial Council composed of leading Indian industrialists of nationalist outlook, eminent scientists, trained economists and some distinguished administrators in order to guide and advise Government in regard to their economic, fiscal and industrial policy. Such a Board would be of immense use in co-ordinating economic efforts and would serve as a link between the public and the authorities. Although this body would work in an advisory capacity, it should be entitled to publish from time to time the results of its investigations and researches like a Royal Commission or a Committee. The Committee would invite the attention of the Commerce Member again to the concluding paragraph of their previous letter in which they stressed the Govern-

ment of India's responsibility in the matter of further industrialisation. Whatever a strictly legal interpretation of the Government of India Act of 1935 with regard to development of industries as a Provincial responsibility may be, it cannot be denied that such development is a matter of national importance and that under the conditions obtaining at present, it must necessarily remain the basic responsibility of the Central Government. The Central Government should not, therefore, be content with following a passive policy but should come forward actively to promote industrialisation.

Coming to the Fiscal Commission's recommendations and the procedure laid down by the Government for consideration of applications from individual industries for protection, the Committee are of the opinion that the entire question of the Fiscal policy of the Government of India requires investigation and revision. Confining their observations, however, to the immediate question of how far the formula laid down by the Fiscal Commission requires revision and relaxation during war time, the Committee would refer to the resolution on tariff policy passed at the Annual Session of the Federation of Indian Chambers of Commerce and Industry on 31st March, 1940. The Committee regret that the Commerce Member's attention was apparently not drawn to this resolution as he stated in his speech under reference in the Assembly that he had "not come across any suggestion of a more constructive nature". The resolution of the Federation above referred to suggests definite lines on which the present procedure of granting protection might be modified, and a copy of the same is enclosed herewith for ready reference. The Committee submit that the formula and the conditions laid down by the Fiscal Commission for the grant of protection should be suspended and the policy suggested in the above resolution be adopted by the Government. The Committee would like to add that the present arrangement by which protection can be granted only to such industries as are already started should also be modified and Government should entertain applications for protection in respect of new industries also which are proposed to be established.

The Committee regret the length of this reply which is due to the importance of the questions dealt with. They trust that the views and suggestions expressed above will receive the Government's most careful attention.

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#### INDUSTRIAL RECONSTRUCTION.

Letter No. 1424, dated the 30th June, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Industrial Reconstruction Committee.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the announcement made by the

Government of India regarding the appointment of an Industrial Reconstruction Committee. They note that the Reconstruction Committee is composed of the Commerce Member as Chairman and the Economic Adviser to the Government of India and representatives of the Defence, Commerce, Finance, Education, Health and Lands, Labour, Supply and Railway Departments as members and that while the Main Committee will direct the work, it will be actually carried out by sub-committees. The Committee also note that non-official businessmen will be "associated" with these sub-committees. The Committee have also seen subsequent press reports that the first meeting of the Reconstruction Committee was held and that four sub-committees have been set up to deal with postwar problems.

While the Committee of the Chamber appreciate the action of the Government to prepare plans in advance for the adjustment of postwar economic problems, they seriously doubt whether the Committee as constituted by the Government would achieve the purpose in view. The Indian commercial community has been insisting on and was expecting the appointment of a committee composed mainly of eminent industrialists and Indian public men. As Mr. A. L. Ojha, the then President of the Federation of Indian Chambers of Commerce and Industry pointed out in his speech at the last Annual Session of the Federation, such a Committee would be in a position to utilise all material and information so far gathered by the Supply Department and evolve a definite plan of postwar readjustment under which, either by expanding the present enterprises or by creating new ones, the industrial capacity released from Munitions production and other war industries would be fully absorbed. The mercantile community in the country has, therefore, been disappointed to find that the Committee appointed by the Government is a purely inter-departmental and official body. The Committee of the Chamber are aware that in England the task of preparing plan for postwar reconstruction has been entrusted to an inter-departmental committee. But they desire to point out that the nature of the problem to be tackled differs considerably in this country. Whereas in England, a major part of industrial production is for war purposes, in India a very small percentage is related to war industries. Moreover, in India the question is primarily one of seeing how production begun during war time is readjusted, continued and expanded during the postwar period. In other words, the problem is not mainly administrative but one of planning the future course of industrialisation. It was for this reason that the Indian commercial community suggested the appointment of a non-official committee of eminent businessmen of nationalist outlook with whom could be associated senior officials of the various Government departments. The Committee would point to the example of Australia where, as stated recently in the course of an interview to the representative of the "Hindu" by Sir Bertram Stevens, who represents that country on the Eastern

Group Council, the Government has "established contact with industry through various boards appointed by the Government at the head of which were placed some of the country's leading industrialists". The Australian Munitions Board, for example, "is controlled by a Directorate comprising a number of sections, each one of which is in-charge of a leading industrialist, who gives the whole of his time without payment..... These various Directors have closely associated with them senior officials of various Departments". The Committee greatly regret that in spite of their declared intentions of assisting the industrial development of the country, whenever any occasion arises for translating those intentions into practice, the Government of India adopt a course of action which can hardly be considered helpful. Although the Government propose to 'associate' non-official businessmen with the sub-committees which are charged with carrying out the work of postwar reconstruction, it may be pointed out that the plans and the policy in the matter will be laid down by the central co-ordinating Committee. It is very essential that representatives of the commercial community should have had the main say in formulating this policy. The Committee have also noted that the four sub-committees set up by the Reconstruction Committee will be presided over by four officials who are, by the way, all non-Indian officials.

In fact, the whole conception of the Industrial Reconstruction Committee as visualised by Government goes contrary to the expectations of the commercial community and cannot but raise doubt in their minds with regard to its success. While referring to the necessity of the establishment of the Reconstruction Committee, the Government is reported to have stated in their press note that after the war, industries now being developed "will no longer be engaged on urgent war contracts; that labour which has been employed in those industries will become redundant and stocks of materials and finished articles prepared for war use will become surplus and their disposal will have to be arranged". As pointed out above, the problem of postwar readjustment is not one of scrapping the extra productive capacity brought into existence due to the exigencies of war but of directing it into channels for peace-time production. With the great scope for industrialisation that lies ahead in this country, the problem of employing skilled or unskilled workers or of utilising plant and material should not present serious difficulty. The question will be only to see as to how best the extra productive capacity brought into existence during the war is continued and expanded so as to be conducive to a speedy development of industries in the country with a view to make it self-reliant in matters of defence and to supply the necessary corrective to the lopsided development of the country's economy, dependent as it is at present mainly upon agricultural production and its export. The Committee strongly believe that the technical personnel and the labour force trained in industrial production during the war as also the increased industrial capacity will be fully absorbed

by the postwar needs of the country if the efforts are rightly directed.

The Committee of the Chamber are, therefore, doubtful if the purpose of postwar industrial readjustment, as outlined above, will be achieved in a manner most advantageous to the country by the Industrial Reconstruction Committee appointed by the Government of India with its present personnel and policy.

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#### POSSIBILITY OF SUBSTITUTING INDIGENOUS VEGETABLE DYESTUFFS FOR THE IMPORTED ONES.

Letter No. 835 dated the 18th April, 1941, from the Chamber to the Board of Industrial and Scientific Research.

*Re: Indigenous vegetable dyestuffs.*

The attention of the Committee of the Chamber has been drawn to the desirability of encouraging the manufacture of dyes from certain vegetable products available in large quantities in this country. Bengal and Bihar, for example, produce large quantities of indigo which, after meeting the demand in the home market, used to be exported to various other countries. This vegetable product gave a very fast shade and in mixtures of chemical ingredients allied to indigo in composition yielded very attractive colour. Synthetic manufacture of indigo from Naphthalene by Germany, however, dealt a severe blow to this industry and not only has the Indian export been stopped but on the other hand, India has begun to import indigo from Germany. The manufacture of vegetable indigo, however, is still carried on in a limited scale in the country. The Committee are given to understand that in the absence of Indanthrenes, Hydron and Calidone Blues, the local manufacture can again be revived and can meet the demand of the Indian market.

Similarly for the red shade Manjishta was used in the villages for dyeing fast red (Turkey red). Alizarine, the dyeing element of Manjishta having been synthesised in Germany, replaced Manjishta. The process of dyeing Turkey red with Alizarine was, however, laborious and it soon yielded place to Naphthol red although the same is not as fast. In the absence of Alizarine and Naphthol and Benthol reds, the Committee understand the use of Manjishta can again be introduced. In fact, in the Sambalpur district, for example, Manjishta is still used for dyeing red yarn.

The Committee have been approached to represent to the Government of India to restrict the importation of Indanthrenes, Hydron and Calidone Blues and Alizarine and Naphthol and Benthol reds in order to encourage and assist the manufacture of indigenous vegetable dyes of similar shades. Before proceeding further, however, the Committee desire to be satisfied that the indigenous dyes manufactured from indigo and manjishta will

be efficient substitutes for the imported dyes mentioned above. I am, therefore, directed to request the Board of Scientific and Industrial Research to undertake investigations in this matter and let the Committee have their considered opinion. The Committee understand that the Board of Scientific and Industrial Research have already appointed a Vegetable Dyes Committee and they hope that as the above investigations are of considerable importance both to the growers of the raw material as also to the industries, the Board will take this up either with the Sub-Committee already appointed or separately.

I shall be glad to have an early reply.

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NECESSITY TO PUBLISH AN ANNUAL REPORT ABOUT THE ACTIVITIES  
OF THE BOARD OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

Letter No. 278 dated the 8th February, 1941, from the Chamber to the Government of India, Department of Commerce.

The Committee of this Chamber understand that one of the recommendations of the 12th Industries Conference recently held at Lucknow was that there was no need for the continuance of the Industrial Research Council and that, *inter alia*, the proceedings of the Board of Scientific and Industrial Research should be circulated to Provincial and State Governments as early as possible after the meeting of the Board. I am directed to suggest, in this connection, that these proceedings should also be made available to the various Chambers of Commerce. As the Government will appreciate, the commercial community are very keenly interested in the activities of the Board of Scientific and Industrial Research and it is very desirable that the Chambers of Commerce are apprised of the proceedings of the Board as early after the meeting of the Board as possible.

Another suggestion which the Committee would like to make in this connection is that an Annual Report of the activities of the Board of Scientific and Industrial Research should be published by the Government. It is desirable that the activities of the Board are summarised in an annual report and the same is made available for the information of the public, the scientists and the Chambers of Commerce interested in the work of the Board. It will shortly be a year since the Board was established and the Committee hope that the Government will soon bring out the annual report of the work of the Board during the past year. The Committee need hardly emphasise that such a report would be very helpful to the public and would also provide a useful and handy reference so far as the activities of the Board are concerned.

The Committee trust that the Government will consider the above suggestions carefully and adopt the same.

An early reply will oblige.

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PRODUCTION OF MOTOR SPIRIT FROM COAL : WORK OF THE  
FUEL RESEARCH STATION.

Letter No. 1917, dated the 17th September, 1941, from the  
Chamber to the Government of India,  
Department of Commerce.

I am directed to invite your attention to the question of production of motor spirit from coal. The Committee understand that this question is being considered by the Fuel Research Committee of the Board of Scientific and Industrial Research for some time past and that on the recommendations of the Board the Government have allocated a sum of Rs. 10,000/- for carrying out researches in low temperature carbonisation of coal at the University College of Science, Calcutta. The Committee further learn that a pilot plant installed by the Government of Behar for this purpose at the Science College, Patna, has been worked with some success though on a small scale. This plant is said to be capable of handling a ton of coal per 24 hours and it is expected that about Rs. 40,000/- more would be required to raise its capacity to 50 tons of coal per 24 hours.

While the Committee appreciate the experiments carried out by the Government as described above, they feel that the time has now come when the Government should evolve a definite scheme for the industrial production of motor spirit by utilisation of coal. The question has assumed special urgency in view of the Petrol Rationing Scheme which the Government have now enforced and which has put the public especially the business community, to considerable inconvenience in keeping up even their necessary activities. The Committee need hardly emphasise that all sources for supplementing the supplies of motor spirit should be tapped in order that the smooth working of business and industry may not be impeded and its capacity to help the war effort not impaired.

The Committee would further point out that India possesses fairly large resources of second class coal from which motor spirit could be successfully produced. Experiments to evolve petroleum from coal have been undertaken in a number of countries which are deficient in petroleum resources. Different methods have been successfully tried in these countries. High pressure hydrogenation method and the *Fischer-Tropsch* process have been used in Germany for manufacturing large quantities of motor spirit from coal. In other countries also the output of oil by the hydrogenation process has continued to rise. The Imperial Chemical Industries manufactured 35 million gallons of Synthetic petrol in 1937 in Great Britain as against 33 million gallons in 1936. In France, Japan, Italy and Russia also similar experiments have been made. The production of motor spirit from low temperature carbonisation of coal has also likewise been tried. The World consumption of synthetic motor fuels from all processes has risen from 2.39 million tons in 1936 to 2.83 million tons in 1937. The Committee feel that India

with its annual production of 28 million tons of coal should present no difficulty in this respect. Excepting the 3 million tons of coal processed for metallurgical or foundry coke, the remaining 25 million tons of low grade coal could be utilised after low temperature carbonisation for other purposes. Apart from fulfilling the urgent needs of liquid fuels which the carbonisation of coal would supplement, other useful bye-products would also be available.

The Committee further understand that the Fuel Research Committee is considering a scheme for starting a Central Fuel Research Station which, it is estimated, will require an initial expenditure of about Rs. 3,50,000 and a recurring annual expenditure of Rs. 50,000 in its early stages. The Committee also learn that the Indian Coal Grading Board have got a sum of about Rs. 3,00,000 to be invested. The Committee would suggest that this sum should be utilised for the establishment of the Fuel Research Station. The Committee need hardly emphasise the far-reaching importance of fuel research in industrial development. Many countries are spending large amounts on this kind of Research. The Fuel Research Board in Great Britain spends over £100,000 annually and the United States of America spends nearly \$500,000 per year on Fuel Research and Safety. More than £4 million have been spent in establishing a Fuel Research Station in London. South Africa has voted substantial amounts on the Union's Fuel Research Institute.

In view of the meagre petroleum resources of India and on account of the immediate problems arising out of the Motor Spirit Rationing Order, the Committee would request the Government to proceed immediately with a programme of industrial production of motor spirit from coal and also to accelerate the scheme for the establishment of the Central Fuel Research Station, which the Committee feel should be adequately financed. The Committee trust that their suggestions would receive early consideration of the Government.

An early reply as to the steps the Government propose to take in the matter will oblige.

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#### INDUSTRIAL STANDARDISATION.

Letter No. 1564, dated the 18th July, 1941, from the Chamber to the Government of India, Department of Commerce.

*Re: Industrial Standardisation.*

I am directed to refer to your letter No. 141-Ind.(10)/40 dated the 12th May, 1941, on the above subject. The Committee have gone through the enclosed papers and have to give their views as under.

The Committee agree that it would be to the advantage of both of manufacturers and consumers to have a system of



standardisation of industrial products. They may point out that in some of the industries in India, standardisation to a certain extent has already been achieved, for example, in the case of the sugar and the coal industries. As regards textile manufactures, the Committee agree that standardisation may be helpful so far as exports are concerned. As regards internal consumption, however, it is not practicable to have standardisation in textile products partly owing to the vastness of the market and demand for diverse varieties and partly owing to the fact that the raw material namely cotton is also not available on standardised basis. The Committee also agree that standardisation would be desirable in the case of machineries and other engineering stores, etc.

As regards the machinery for enforcing industrial standardisation, the Committee are definitely of the opinion that a separate organisation for the purpose should be set up by the Government of India in this country. The standard specifications should, however, be fixed by a non-official technical committee having Indian majority and should then be enforced by the Government of India. This non-official committee should include technical experts as well as representatives of the particular manufacturing industry concerned.

The Committee of the Chamber suggest that when the final proposals are drawn up by the Government of India, these should be circulated to various commercial bodies for their opinion before being finalised.

#### SUGAR RATIONING IN BURMA.

Telegram dated the 8th November, 1941, from the Chamber to the Government of India, Department of Commerce.

Reference Sugar Rationing scheme recently enforced in Burma Committee Indian Chamber of Commerce Calcutta invite Governments attention to undertaking given by Burma under Indo-Burma Trade Agreement to import Sugar required in excess local production from India. As Burmas average consumption exceeds per annual production by about fifteen thousand tons committee urge Government take up matter with Burmese Government pointing out shortage can be met from India making rationing unnecessary and insisting that above undertaking should be implemented.

*Copy of a letter No. 100-T(38)/41 dated the 19th December, 1941, from the Government of India, Department of Commerce, to the Chamber.*

Subject: Sugar Rationing Scheme in Burma.

With reference to your telegram dated 8th November, 1941, on the above subject, I am directed to say that it is clear from the Press report itself that the measures referred to therein are merely

ancillary to the control of prices of sugar during a temporary emergency and are not related to the general policy of the Government of Burma in respect of imports from India. The Government of India, therefore, see no ground for approaching the Government of Burma in the matter.

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LIABILITY OF EMPLOYERS TO PAY COMPENSATION TO EMPLOYEES  
FOR INJURIES DUE TO WAR.

Letter No. 1568, dated the 18th/19th July, 1941, from the Chamber to the Government of India, Department of Labour.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to refer to the question of Workmen's Compensation policies and liability of employers to pay compensation to employees for injuries due to war. The Committee understand that at the outbreak of the war, insurance companies accepted under Workmen's Compensation policies the liability of employers to pay compensation to employees for war injuries although this was a risk not originally contemplated under such a policy. The insurance companies took no steps to exclude war risks as it was expected that the Government of India would soon undertake legislation relieving employers from the liability to pay compensation for injuries due to the same. As the Government have, however, so far not introduced any legislation on the subject, the Committee understand that insurance companies have now given notices to employers cancelling the existing Workmen's Compensation policies and stating that the same will be continued only if an endorsement excluding war risks is made by the employers. The Committee of the Chamber have considered the matter and they feel that there is no reason to make employers liable for compensation to workers for injuries due to war. As the insurance companies have now expressed their inability to continue to undertake risks, the Committee would urge that the Government of India should enact suitable legislation, as soon as possible, relieving employers from liability for compensation to workmen for war injuries. The Committee would also suggest that the Government should themselves undertake this liability as is done in the United Kingdom.

The Committee understand that the Government contemplate to introduce in the forthcoming session of the Central Assembly two bills, one to amend the Workmen's Compensation Act and the other, the Indian Merchant Shipping Act with a view to undertake responsibility for payment of compensation in respect of war injuries to masters and seamen as also for loss or damage to their effects during war. The Committee feel it is necessary that the Government should undertake responsibility for Compensation for injuries due to war to workmen in Industrial Concerns also and they would, therefore, suggest that the amending Bill should be a comprehensive one so as to include

risks to workmen of other categories also. In view of the fact, however, that a Bill in this connection can only be introduced when the Assembly meets, that is, not before next October, the Committee would suggest that the Government should meanwhile immediately issue instructions relieving employers of liability for injuries to workmen arising due to war.

I have sent a telegram in this connection as per copy enclosed,\* to the Commerce Department which I understand has been passed on to you for disposal.

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**PROPOSAL OF THE MALAYAN GOVERNMENT TO AMEND THE  
MALAYAN LABOUR CODE IN CONNECTION WITH  
RECRUITMENT OF JAVANESE LABOUR  
IN MALAYA.**

Letter No. 2266 dated the 20th November, 1941, from the  
Chamber to the Over-seas Department, Government  
of India.

I am directed by the Committee of the Chamber to address you in regard to the proposal of the Malayan Government to amend the Malaya Labour Code in order to make available, for the recruitment of Javanese labour, certain sums of money constituting what is known as the Indian Immigration Fund in Malaya.

It is now known that the bill went through its first reading in the Legislative Council, Singapore, and that the opposition to it pressed forward by the only Indian Member in the council did not meet with the desired result. The objects and reasons of the amending bill as stated in the F. M. S. Government Gazette dated 25th September, 1941, are; "the Government is now prepared to assist the immigration of labour from Java and other parts of Netherland Indies. In order to give financial assistance it is necessary to widen the powers of the Indian Immigration Committee so that they may collect and expend funds in respect of Javanese labourers." In replying to the opposition raised by the Indian Member of the Council, when the bill came up for discussion, the Colonial Secretary, Mr. S. W. Jones is reported to have explained that the motives prompting the government to take this measure was that, "recruiting of Javanese labour demanded certain expenditure which had to be met by the Government. The Committee understands that the fund is collected and maintained according to the provisions of the Malayan Labour Code which also prescribes the manner in which it shall be expended. The fund is made up of monies paid by the employers of Indian labour there, Europeans, Indians, Chinese and others, into the hands of the Controller of Labour to be maintained by the Indian Immigration Committee for and on behalf of Indian labourers in Malaya. The purposes for which the fund may be put to use are laid down in the Labour Code, part 6 (Cap. 154)\* which include payment of free passages for Indian labourers and their families, the general

expenses incurred in connection with the recruitment of Indian labourers and their Quarantine and transport after arrival in Malaya and the maintenance of homes for decrepit and unemployed Indian labourers and of orphanages for Indian children. It would thus be seen that the labour code is explicit on the point that the fund may be utilised only for the welfare and caring of Indian labourers. And any attempts to make use of the fund now for purposes alien to the origin of the fund, the formation thereof and the sources from which it has been drawn would be incompatible with justice.

The committee also understands that the planters in Malaya have often, in defence of the glaring disparity between the wages of Indian labour and other labour, claimed that the monies that they paid to the Controller of Labour towards this fund were virtually payments towards Indian labour in kind, and, therefore, these payments have to be taken into account while considering the wages of Indians. That in effect means that this fund which is made up of monies which, those who paid towards it, meant to be payments in kind towards labour extracted belongs to the Indian labour.

It is thus evident that the action of the Malayan Government in now seeking to utilise the fund for purposes of assisting the immigration of Javanese labour is calculated to do grave injustice to the Indian labourers in Malaya. From the report that the Legislative Council has already gone through the first reading of the bill and that the opposition put forward to it by the only Indian members has not been given fair consideration by the Malayan Government, the committee apprehends that the Malayan Government is determined to bring the bill into force as soon as possible even in the full knowledge that injustice would be done thereby to the Indian labour. The committee would therefore humbly urge upon the Government of India to take whatever action necessary as soon as possible in order to see that the injustice that is sought to be done to the large number of Indian labourers, numbering over 6 lakhs, in Malaya is duly checked.

The Committee trust that this matter would receive your urgent consideration.

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#### SUPPLY OF ELECTRIC ENERGY TO INDUSTRIAL CONCERNS.

Letter No. 767, dated the 3rd April, 1941, from the Chamber to the Calcutta Electric Supply Corporation Ltd.

It has been brought to the notice of the Chamber that in certain cases recently when the Electric Supply Corporation was approached by industrial firms for supply of electric energy to be used for power purposes, they were asked by the Corporation "to produce documentary evidence that the supply of energy required was for the production of material for war purposes." While the Committee are aware that in February last the Govern-

ment of India appointed an Electrical Commissioner, one of whose duties *inter alia* is to ensure that "ordnance and other factories engaged on important war work.....received the supplies of energy that they require", they are not aware of any general direction issued by the Commissioner whereby the supply of electrical energy is to be restricted to only such industrial concerns who are actually on "war work". The Committee may point out that if such a general restriction is put on the supply of electrical energy to industrial concerns who are not directly producing materials for war purposes, it may be that ultimately the war effort itself may suffer. Apart from the fact that industrial enterprises are so interconnected that the stoppage or restriction of one particular line of manufacture may react on other lines of manufacture directly engaged in war work, it has also been recognised that the smooth running of industries is important from the point of view of sustaining normal economic life, the maintenance of which is essential even for war purposes.

The Committee therefore trust that no general restriction will be placed on the supply of electrical energy to industrial concerns. An early reply will oblige.

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#### SHORTAGE OF COTTON YARN AND CLOTH.—

Letter Nos. 1993 and 1994, dated the 3rd October, 1941,  
from the Chamber to the Government of India,  
Department of Supply, and Department  
of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to approach you in connection with the question of shortage of cotton yarn and cloth felt for some time past in the country. The Committee note that this question was discussed *inter alia* by the Conference of textile interests that met at Bombay early last month. They are not, however, aware of the measures which the Government of India may be proposing to adopt in order to meet the situation.

There are a number of factors which have contributed to bring out the present position so far as the supplies of yarn and cloth are concerned. It is well-known that there has been a heavy demand for cloth and yarn manufactures from the Government of India for the defence services. In addition to this there have been equally pressing demands from the other Eastern Group Countries not only for war purposes but also for civilian needs. Indian textile goods are also in great demand in some of the neighbouring markets such as Straits Settlements, Afghanistan and Iran. Efforts were being made for a long time to find a market for Indian manufactured goods in these neighbouring countries and the war situation has helped Indian goods being introduced in these markets. This heavy demand for cloth and yarn manufactures has synchronised with a considerable reduction of imports into the country from the United

Kingdom and Japan—two countries which used to export appreciable yardage of cloth to India before the War. The result of the operation of these various factors has been that the country is faced with a serious shortage of cloth and yarn, the scarcity of yarn also affect adversely a large number of handloom weavers who find it difficult to obtain the required quantities of yarn.

The Committee of the Chamber need hardly urge that the people of the country should not suffer in any manner on account of shortage of cloth, and they further believe that if proper steps are taken, the present situation can be turned to be conducive of some measure of permanent benefit to the country. Firstly, in order to meet the increased demand, measures should be taken to facilitate the increase of production as much as possible. There are at present about 400 mills in the country and if all of them work for 24 hours on all days, the production can well be increased by about 25 to 30 percent. This additional production will greatly help in meeting the demands not only of the Government but also of the consumers. One difficulty with regard to the production of certain finer count piece-goods for foreign markets would be insufficient supplies of long or medium staple raw cotton. On account of the shipping difficulties the import of raw cotton has appreciably declined. On the other hand, however, consequent on the freezing of the trade with Japan, the offtake of Indian short staple cotton by that country which has been one of India's important customer in this commodity has also been stopped. It is obvious that the Indian cotton cultivator will, therefore, find himself in a discomfiting situation in disposing of the large stocks of surplus raw cotton while Indian mills would be requiring more cotton for consumption. It is, therefore, apparent that it would be beneficial to adopt measures to promote larger use of Indian short staple cotton by the mills. The Committee are aware that the consumption of Indian cotton by the mills has increased during the past few years but as pointed out above there is a large margin of the total crop which used to be exported to foreign countries and which on account of the closure of these foreign markets is available for utilisation within the country. The following figures will give an idea about the position in this connection :—

RAW COTTON (In thousand bales of 400 lbs. each.)

	1937-38	1938-39	1939-40	1940-41
Mill consumption,	2866·5	3106·3	3030·9	3299·9
Exports ...	2730·4	2702·8	2947·9	2172·9
Imports ...	752·9	539·7	468·5	499·2

It will be obvious from the above that there is a large scope for the utilisation of Indian cotton within the country. All cotton above 18 counts is at present either being consumed by the mills in the country or exported. To dispose of the remaining cotton (for below 18 counts), the Government of India can prove very helpful if they readjust the specifications of the cloth they require and accept, as much as possible, cloth made of short staple and medium staple cotton. The mills would necessarily then take to short staple cotton and if the Government sufficiently advertise the fact of this change in specification, civilian requirements would also gradually adjust themselves to the coarser variety of cloth made from Indian short staple cotton. The low price of this kind of cloth which would suit better the purchasing power of the masses, and the heavy demand found in the market would, the Committee feel, considerably help this process. The increased consumption of Indian cotton by the Mills would prove a great relief to the Indian cotton cultivator in the difficult times which he will have to face, and at the same time provide the consumers with cloth.

The utilisation of Indian short staple cotton by the Mills would, however, require in some cases more preparatory machines and also machine parts for changing the production from medium and finer counts to coarser counts of below 18. The imports of preparatory machines and other machine parts from U. K. and America required for the purpose should, therefore, be facilitated. Bleaching and dyeing plants would also be required to be imported particularly for supplying certain Government demands in addition to Civil requirements and the Government should grant facilities for such import. The adaptation of the mills to short staple Indian cotton would, however, take some time. Therefore, with a view to meet the immediate requirements, the Committee would suggest that the first step which the Government might take for facilitating an increase in production, should be to relax the requirements under the Factories Act so as to permit the Mills to work to the maximum capacity. As the Government are aware, the jute mills were allowed to work for longer hours in order to cope with the heavy demand for sand-bags.

There are, however, certain other difficulties also which, the Committee feel, might dissuade the mill-owners from working to the maximum capacity. Firstly, working more shifts would result not only in dilution of labour and additional burden on the superior staff but also in extra strain on the machinery, which, apart from costing more in these days, is difficult to obtain when required. The Mill-owner certainly would not like to take such risk for the small margin of profit which is left to him after paying all the various taxes imposed by the Central and the Provincial Governments. The Committee would, therefore, suggest that it is essential that the Government should allow a more generous percentage of depreciation than what is now given to the textile mills. Moreover, it should be seen that

the licences for importing the required machinery and machine parts are granted to the mills without any undue difficulty and spare machinery parts and preparatory machinery are also made available to them. In addition to this, the Committee strongly feel that the present burden of high taxation, which deprives incentive for industrial enterprise and operates as a handicap to industrial progress, should also be reduced.

These measures, the Committee feel, will go a long way in encouraging the mills to work to their maximum capacity and increasing the production so as to meet the demand in the country. At the same time they would confer a permanent benefit on national economy. The Committee trust that in view of the importance of the matter, the Government would give their early consideration to the suggestions made above.

A reply as to the steps proposed to be taken by the Government would oblige.

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*Copy of letter No. W-II.22(7) dated the 1st December, 1941, from the Government of India, Department of Supply, to the Chamber.*

I am directed to refer to the Supply Department's letter No. 6011/WB dated the 10th October, 1941, and to say that the Government of India have set up a Cotton Textiles Standardisation Committee in Bombay whose main purpose it will be to consider, from time to time, the specifications of the Cotton textiles required for the Ordnance Services. Much has already been done to increase the consumption of short-staple Indian Cotton, but you will appreciate that the demands of the Ordnance Services, though large, are unlikely to afford a solution of the basic problem. On the more general aspects of this basic problem, I am directed to invite a reference to the speech made by the Hon'ble Sir Ramaswami Mudaliar in the debate on Mr. G. V. Deshmukh's motion for the adjournment of the Legislative Assembly on the 27th October, 1941.

2. The Government of India are aware that an increase in the production of cotton textiles in India is most necessary and you will no doubt have observed that Provincial Governments have recently taken action under the Factories Act so as to permit an increase in working hours.

3. Suitable assistance is always available for the import of machinery designed to help the war effort and the effect of greater production on depreciation allowances and taxation will be considered, if the case is properly stated to the Government of India.

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SHORTAGE OF CHLORATE OF POTASH AND AMORPHOUS  
PHOSPHORUS.—

Letttr No. 2227 dated the 14th November, 1941, from the Chamber to the Government of India, Department of Commerce.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the difficulties experienced by Indian Match Manufacturers owing to shortage of Chlorate of Potash and Amorphous Phosphorus. The Committee understand that the existing stocks of these articles with some of the factories are so low, that they will last hardly for three to four months and if further stocks are not arranged meanwhile the factories will be compelled to close down.

The Committee would point out that the Match Manufacturers used to import these articles previously from Germany, France and Switzerland, but after the outbreak of the war, the same have been imported mainly from the United States of America and Japan. The imports from the latter Country have however, now been practically stopped owing to the freezing orders passed by the Government. The U. S. A. is therefore, the only supplier of Chlorate of Potash and Amorphous Phosphorus to this country. The Committee understand that there is a restriction imposed in that country upon exports of these articles and the Indian Match Manufacturers have therefore, found it increasingly difficult to obtain the same.

The Committee have therefore, to request the Government kindly to arrange immediately with the Indian Purchasing Mission in U. S. A., so that supplies of these articles may be made available to Indian Match Manufacturers.

The latter would also require licenses to import the same in India, and the Committee trust the Government would be pleased to grant the same as and when necessary.

In view of the importance of the matter to the Indian section of the Match Industry, the Committee would request the Government to take immediate action in the matter.

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*Copy of a letter No. F. No. 390(20) I.T.C/41 dated the 19th November, 1941, from the Government of India, Department Commerce, to the Chamber.*

Your letter No. 2227 of the 14th November, 1941. The Government of India are doing everything they can to assist the importers of Chlorate of Potash and Amorphous Phosphorus who desire to use them in the manufacture of matches. These chemicals are in a very short supply both in the United Kingdom and in the United States of America. It is therefore necessary that the demands on both these countries should be very carefully considered and fully justified in respect of quantity etc., if the

Government of India should assist in getting supplies of these chemicals. It is therefore suggested that you instruct the particular importer or importers to place their case before the Commerce Department and explain to them the nature and extent of the assistance required for the import of chemicals in question.

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#### DIFFICULTIES IN OBTAINING TECHNICAL EXPERTS FOR INDUSTRIAL CONCERNS.—

Letter No. 1045, dated the 14th May, 1941, from the Chamber to the Government of India, Department of Commerce.

The attention of the Committee of this Chamber has been drawn to the difficulties experienced by some of the industrial concerns in obtaining technical experts for their factories. The Committee understand that two experts of Messrs. Birla Bros., Ltd., (8, Royal Exchange Place, Calcutta) have been detained since a long time in Palestine awaiting a passage to India. Although the firm has requested the Government several times to arrange for their passage to India, the Committee regret, that they have not even received a reply from the Government in the matter till now. The Committee need hardly emphasise that without an adequate technical personnel it is difficult to work the industries as also to establish new industries in the country and unless the Government helps industrial concerns in obtaining the technical experts they require, industrial enterprise is bound to be considerably handicapped. In the case referred to above, the firm has already got their experts in Palestine and they have requested the Government to arrange for their passage to India as early as possible. The Committee believe it is necessary, therefore, that the Government should help the firm in obtaining their experts and they trust you will kindly look into the matter at an early date and take necessary steps to arrange for an early passage of the experts to India.

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#### TRANSPORT—RAILWAYS.

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##### PURCHASE OF B. B. & C. I. AND A. B. RAILWAYS.—

Letter No. 3594 dated the 15th November, 1940, from the Chamber to the Government of India,  
Railway Department.

*Re: Purchase of B. B. & C. I. and A. B. Railways.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the question of the purchase by the Government of the B. B. & C. I. and the A. B. Railways. Under terms of the contracts with the two Railways, the same can be determined by the Government on the

31st December, 1941, by giving twelve calendar months' notice. The decision to purchase the Railways has, therefore, to be taken by the Government before the end of the current year as the last date for giving notice of termination of contracts is the 31st December, 1940. In case Government do not avail of this opportunity, the next option with regard to the B. B. & C. I. Railway will fall after 5 years and as regards the A. B. Railway only after ten years. The Committee of the Chamber are strongly of the opinion that the Government of India should avail of this opportunity of purchasing these two railways.

2. Apart from the question of principle in the purchase of company managed railways as and when their contracts expire, the Committee would point out that the purchase of the B. B. & C. I. Railway system also offers financial advantages. The property vested in the former B. B. & C. I. guaranteed Railway company was purchased by the Secretary of State on the 31st December, 1905, on which date all the contracts then subsisting between the Secretary of State and that company were determined, and the company was reconstituted. The purchase price was fixed at the sum £11,685,581 and the Secretary of State agreed to create and issue to the company on the 31st December, 1905, 'India 3 per cent stock' to the amount of £10,089,146 in satisfaction of £9,685,581, part of the purchase price, the company raising a new stock capital of two million pounds being the unpaid balance of the purchase money of £11,685,581. The Committee are aware that in addition to its own property the B. B. & C. I. Company works certain other lines owned by separate companies and Indian States, but they would point out that one of them, namely, the Ahmedabad Dholka Railway has been already purchased by the Government and merged in the metre gauge section of the company's line with effect from 1st July, 1922, and similarly the rest of the lines can also be dealt with in accordance with the terms of their contracts. What the Committee would like to emphasise, however, is that the B. B. & C. I. Railway Company has been regularly making profits for a past number of years. The percentage of the net earnings on total capital outlay or capital at charge has been steadily maintained at 5 to 6 per cent as the figures given in appendix would show.

It will appear from the appendix that the total capital at charge in the year 1939-40 was Rs. 94.35 lacs and the average profits to the Government from the results of working for the last six years amounted to Rs. 220 lacs per year. The company made a profit of Rs. 1,89,95,000 in 1938-39, Rs. 2,29,50,000 as shown in the revised estimates for 1939-40, and the Budget estimates, for 1940-41 show a profit of Rs. 3,00,44,000. This profit is calculated after deducting all expenses including interest on capital. The interest paid on the company's capital rose from Rs. 13,47,000 in 1938-39 to Rs. 13,52,000 in 1939-40. On the basis of these facts, there is no doubt that the purchase of B. B. & C. I. Railway would be a financial gain to the Government.

The Committee believe that even if the establishment charges increase slightly as a result of the transference of the management to the State or for providing the necessary amenities for passengers on the Railway, some of which, like extension of inter-class accommodation, are badly needed, there would still be an adequate margin left not only to cover the interest payable on the capital which may have to be borrowed to effect the transfer but to enhance the railway earnings as a whole. On the other side, the cost of the Home Board would be saved and purchase of stores in the local market would also be increased providing fillip to local industries and trade. The taking over of the Railway will also facilitate amalgamation of the Broad Gauge section with the G. I. P. Railway. The Committee would further state that this is the first option which the Government have got ever since the last contract, entered into in 1905 of purchasing this paying Railway and they are emphatically of the opinion that the Government should exercise their option at the present time.

As regards the A. B. Railway, the Committee would point out that the Railway and its appurtenances are also the absolute property of the Government who had an option to determine the contract on the 31st December, 1921. The Committee regret that the Secretary of State did not exercise his power to determine the contract in 1921 as also in 1931 and they feel it is essential that in pursuance of the general policy of acquiring company managed railways, this railway should be now acquired and placed under direct State management. The Committee are aware that the working of the Railway shows a loss to the State of about 60 lacs per year for the past few years. In 1938-39 there was a loss of Rs. 65,64,000 in 1939-40 the same was Rs. 56,96,000 and the estimated loss for 1940-41 has been Rs. 42,13,000. This is calculated after deducting all expenses including interest on the company's capital, the interest paid being Rs. 6 lacs in 1938-39 and Rs. 6,02,000 in 1939-40. There is also a definite provision in the contract that if the line be worked at a loss for three consecutive half-years, the Government have an option to determine the contract. On the determination of the contract, the company is to hand over to the Government the Railway and all its belongings of every description on repayment by the Government of the amount in sterling at the par value of the share capital paid by the company to the Government, who will also indemnify the company against the existing liabilities including debentures issued with the sanction of the Secretary of State. The Government of India have guaranteed interest in sterling at 3 percent on the company's share capital of £1,500,000 and the capital at charge is Rs. 2,471 lacs. The company's interest in these railways amounts to £1,500,000 *i.e.*, about Rs. 195 lacs and this is the sum the Government of India would have to find for its purchase. While the Committee realise that the Government might hesitate to purchase a company, the result of the working of which does not show profit, the Committee would point out that the A. B. Railway can be amalgamated with the metre

gauge section of the Eastern Bengal Railway which has a length of 1039 miles. The broad gauge section of the E. B. Railway could be taken over by the East Indian Railway adding 900 miles to its total length. The Committee believe such amalgamation will result in considerable economy of working and the average loss shown in the working of the A. B. Railway might be considerably reduced. The Committee would point out that since the report of the Acworth Committee, grouping of Railway has been favoured as a measure of economy and efficiency. The Pope Committee also recommended that one of the methods of making any major savings in the working expenses of Railways would be by means of amalgamation of the various systems. It was admitted in the Legislative Assembly in 1935, for example, that the economies proposed by Mr. Pope on the M. & S. M. Railway and the G. I. P. Railway could not be effected unless the State took over the management of the M. & S. M. Railway. In the report for 1925-26, the Railway Board stated that when they took over the management of the East Indian and the G. I. P. Railways one of the results of the territorial adjustments had been a large reduction in the number of junctions between Railway administrations with corresponding economies of time and money in the matter of transfer of traffic and rolling stock from one administration to another. The number of junctions where two or more State-managed railways meet was, in fact, reduce from 18 to 7 by these adjustments. A definite advantage, however, which would result from amalgamation and grouping of Railways under one management would be that the adoption of the telescopic rate system as well as the constitution of a Railway rates tribunal which the commercial community has been demanding for a long time would be facilitated. Not only in India but in other countries also the need of unification of different systems of Railways has been felt from time to time and in the United Kingdom, for example, where there were 112 different concerns previously, the Railway Act of 1921 united them into four. The Committee strongly believe that this policy of unification would not be possible in India until all lines are taken over by the State and run as integral parts of a common system of national transport. The Committee would, therefore, emphasise the necessity of purchasing the A. B. Railway also at the present time.

The Committee understand that the Government of India will have to find about  $4\frac{1}{2}$  to 5 crores of rupees for the purchase of the B. B. & C. I. and the A. B. Railways. The Committee recognise the abnormal conditions through which the country is passing but they feel that the same should not be made an excuse for postponing a measure which will decidedly be beneficial to Government and in the interests of national economy.

The Committee of this Chamber had an occasion to discuss the question of acquiring of company-managed Railways with the Hon'ble Sir Andrew Clow, Communications Member of the Government of India, last year. Sir Andrew had remarked that the Government of India had not reached any final decision on

the question of policy regarding the purchase of private managed Railways and that when the Federal Railway Authority would come into existence the whole question might be decided by them. The Committee would, however, point out that the political conditions in the country have greatly changed and the date by which the Federal Railway Authority would come into existence is very uncertain. As the periods of option in respect of the A. B., the B. B. & C. I. and the B. & N. W. Railways are drawing near, it is essential, therefore, that the Government of India should come to a definite decision in the matter. Moreover, as regards the general question of the acquiring of company-managed Railways, the Committee would point out that as early as 1920-21, the Indian Railway Committee commonly known as the Acworth Committee went into the whole question of railway management in India and unanimously recommended that the "system of management of companies of English domicile should not be continued after the termination of their existing contracts" and that "the managing authority should in future have its headquarters in India and not in England". The Acworth Committee also emphasised the fact that the Government were the sole owner of the bulk of the lines whose management was handed over in most cases to private companies. The majority of the Committee, in fact, held that the English companies had, ceased many years ago to be companies in the strict sense. The property entrusted to their management was not their own and their financial stake in the undertakings was relatively small. The majority Report was definitely of the view that the system had not worked satisfactorily and could not be made to do so since while the management was nominally entrusted to the several guaranteed companies, the Government felt itself to be the real owner and ultimately responsible. The division of responsibility between the Government and the Board of Directors was in a large measure responsible for the failure of the Indian Railway system to meet its obligations to the public. The majority Report also stressed the fact that it is with money secured on Indian taxation that the Indian Railway have been almost entirely built and that it is the public that uses the railways and pays rates and fares. It took cognisance of the unanimous and strong Indian demand that the State which is the owner should manage the companies directly and recommended that steps should be taken with a view to purchase such lines on the termination of the existing contracts.

The Committee of the Chamber would further point out that in the debate which took place on the 27th February, 1923, on a Resolution regarding State management of Railways in India as a result of the Acworth Committee recommendations, Mr. C. A. (later Sir) Charles Innes, the then Commerce and Railway Member, declared the Government's policy on the subject. "I am prepared to admit" he stated, "that logically it is difficult to defend the existing system of company management in India". He also announced that the Government accepted the unanimous recommendation of the Acworth Committee that the Government

should transfer the domicile of the railway companies to India as the existing contracts came to an end and acknowledged that the Government had failed to devise a satisfactory alternative to State management which could be introduced. He further emphasised that direct State management would enable the Government to carry out a really useful measure of grouping different railway lines, which course had been recommended as a measure of economy by experts. The decision of the Legislative Assembly in favour of State management of Railways has been unequivocal since the Acworth Committee reported. Pursuant to this declaration, the Government of India adopted the policy recommended by the majority of the Acworth Committee by acquiring the E. I., the G. I. P. and the Burma Railways as also certain Southern Punjab railways. The Government failed in their efforts to take over such lines on the basis of Indian company management. This policy of the Government indicates that they hitherto accepted the principle underlying the recommendations of the Acworth Committee in regard to the transfer of the railway companies to Indian control which would at present be secured only through State management. However, when the Secretary of State did not exercise the option of purchase of B. & N. W. and the M. & S. M. Railways in 1937, the public in India and the commercial community in particular became doubtful about the intentions of the Government in the matter. The Committee of this Chamber also addressed a comprehensive communication to the Government in which they urged the necessity to exercise the option of buying the company managed railways as and when their contracts expired. This was followed by the report of the Indian Railway (Wedgewood) Enquiry Committee which opened the whole question again and actually recommended "the extension of the contracts" with the various railway companies. Recently, the Government also postponed the purchase of the Shahadra-Saharanpur railway.

The Committee are unable to agree with the views expressed by the Wedgewood Enquiry Committee. It has been repeatedly pointed out that the continuation of the management of Indian railways by companies domiciled in England would mean the perpetuation of the conditions of both State and company management without the advantages of either. It would maintain, in fact, the rigidity and bureaucratic character of a State Department while denying the taxpayer the benefits of a public utility service. The question of the merits of State versus company management is, in fact hardly pertinent, for Indian railway lines in the main are the property of the State and the major portion of their capital is also owned by the Government. The fundamental question is one of the transference of these railways to Indian control which, as the majority of the Acworth Committee stated, and as Sir Charles Innes acknowledged in 1923, can be secured at present only through State management. The suggestion made by the Wedgewood Enquiry Committee that most of the existing private managed lines may be

purchased in 1945 may not prove to be feasible. It would be much easier from the financial point of view to arrange for the purchase at different periods rather than grouping the purchased together. As in each case, Government have to give 12 months previous notice of their intention to purchase, the decision in any case is to be taken much before the actual time of payment and hence the difficulty of foreseeing financial conditions little ahead can not be avoided at any time.

The Committee of the Chamber would, therefore, strongly urge that it is essential that the Government should reiterate their definite policy about the question of purchasing company-managed railways in pursuance of the principle laid down by the Acworth Committee and followed by the Government till now.

As the period of giving notice for the purchase of the B. B. & C. I. and the A. B. Railways is very near, the Committee of the Chamber would be glad if the Government would let the public know at as early a date as possible about the steps they propose to take for the purchase of these two railways.

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#### CLOSING OF BRANCH RAILWAY LINES.

Telegram dated the 12th August, 1941, from the Chamber to the Government of India, Railway Department.

Committee Indian Chamber understand E. I. Ry. contemplating closing Bhagalpur Mandarhill section from fifteenth instant apart from inadequate notice committee understand large quantities of raw materials particularly Chinaclay moving from station on that section. Dismantling of line would greatly dislocate work of member industrial concern using Chinaclay and engaged on war work. Committee earnestly request reconsider matter and postpone dismantling.

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Letter No. 2036 dated the 11th October, 1941, from the Chamber to the Railway Board.

#### *Re: Bhagalpur—Mandarhill Branch.*

I am directed to refer to the correspondence resting with your letter No. 45-W/W(A) dated the 18th August, 1941, in reply to my telegram of the 12th August, 1941, on the above subject. As pointed out in the telegram, the Bhagalpur Mandarhill section caters for the movement of large quantities of raw materials particularly china clay and the closing of that line would greatly dislocate the work of certain industrial concerns which have to depend for their supplies of china clay from this locality and which are also engaged on war work at present. Meanwhile, the Committee had also discussed the matter personally with the Hon'ble Sir Andrew Clow, Communications Member when he met the Committee during his last visit to



Calcutta and had impressed upon him the necessity of not dismantling this line. The Committee understand that the Railway Board are again considering the question of dismantling this branch line and they trust that in view of the difficulties which such an action might result in, the Railway Board will not do so. The Committee shall be obliged to be assured on this matter.

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*Copy of letter No. 45 W/W(A) dated the 24th October, 1941, from the Government of India, Railway Department, Railway Board, to the Chamber.*

Subject:—Dismantlement of the Bhagalpur Mandar Hill Branch, E. I. Railway.

In reply to your letter No. 2036 dated the 11th October, 1941, I am directed to advise as follows:—

The Government of India in the Railway Department have been called upon to meet urgent demands for railway track for essential war purposes. These demands have been met, as far as possible, from spare stocks of second hand rails and by accelerating relaying programmes in order to release the type of rails required. The Supply thus made available, however, has been insufficient, and in the absence of other sources of supply it has been necessary to obtain the requisite track by closing and dismantling certain branch lines.

The Government of Indian appreciated that inconvenience to residents in the areas served by such branches may result and they have therefore selected for closing, branches with suitable type of track that—

- (1) were either not remunerative or insufficiently so, or
- (2) were those serving areas adequately provided with other forms of transport facilities.

In every instance the Provincial Government, or the Indian State, concerned have been consulted.

In conclusion, I am to state that whilst Government much regret the necessity for closing the Bhagalpur Mandar Hill Branch, they are satisfied that, in the circumstances, it is unavoidable.

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#### RAILWAY RATES FOR COAL TO BANGALORE.—

Letter No. 500 dated the 28th February, 1941, from the Chamber to the Railway Board.

*Re: Railway Freight on Coal booked to Bangalore over the M. & S. M. Railway.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the necessity of

reduction in railway freight on coal booked to Bangalore. The Committee understand that the question has been repeatedly urged on the attention of the railway authorities by the Mysore Chamber of Commerce but with no result so far. The Committee understand that except for a small reduction of 11 annas 5 pies per ton in the rate for Bengal coal made on the 1st April, 1935, the present rate is practically what it was in 1920. While the distance between the Bengal collieries and Bangalore is not longer than the distance between the collieries and such stations like Madras, Bombay, Karachi and Ahmedabad the freight is disproportionately high. As your Board are no doubt aware, the Mysore State provides great opportunities of industrial development and the Committee have no doubt that if the railway freight on coal is adjusted at a more reasonable level, the traffic on the railways would be stimulated and the railways themselves would gain instead of losing anything. The Committee further understand that although the Railway Board has constituted a special rate structure for coal traffic in order to enable consuming centres distant from the coal-fields to participate with those nearer in the cheaper rate and with the object of encouraging the development of industries and popularising the use of coal, the rate structure is, in actual practice, confined to Northern India whereas the South, situated as it is at a greater distance from the Bengal and Bihar coalfields should necessarily have been given the benefit of special rates. The Committee understand that with regard to coal traffic from Bengal collieries to Bangalore, the Bengal Madras and Madras Bangalore sections are treated as two different distances and are charged for at two different rates. The Committee submit that the Railway Board should prevail upon the M. & S. M. Railway to agree to the arrangement by which the entire distance from Bengal collieries to Bangalore would be treated as one distance and the telescopic rates applied for the whole distance. The Committee are not going into detail as they are aware that the Mysore Chamber of Commerce has submitted full facts and figures on the subject both to the Railway Board and to the M. & S. M. Railway and they take this opportunity of supporting the Mysore Chamber's longstanding demand for suitable reduction in the railway freight on coal to Bangalore.

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*Copy of letter No. 7500-T. dated the 13th March, 1941, from the Government of India, Railway Department, Railway Board, to the Chamber.*

Rates for Coal over the Madras and Southern  
Mahratta Railway.

With reference to your letter No. 500, dated 28th February, 1941, and in continuation of the Railway Board's letter No. 7500-T, dated 6th March, 1941, I am directed to state that the matter has already been examined very carefully.

2. In this connection I am to enclose for the information of your Chamber a copy<sup>+</sup> of the Railway Board's letter No. 7500-T, dated 20th February, 1940, addressed to the Mysore Chamber of Commerce and to say that, as no fresh points have been brought forward by you, the Railway Board have nothing to add to what has already been communicated in their letter to the Mysore Chamber of Commerce.

#### ENHANCEMENT OF RAILWAY RATES FOR PAPER.—

Letter No. 1252 dated the 4th June, 1941, from the Chamber to the General Manager, East Indian Railway.

The attention of the Committee of this Chamber has been drawn to the change in freight rates for paper N. O. C. in bales and bundles, made by your Railway from the 1st June, 1941. The Committee understand that the change has resulted in enhancement of the rates which the paper mills have to pay, as under:—

Stations.		Distance.	Existing Rates.		Proposed rates.	
			Smalls C/J Sched	Wagon-load. 'A' Sched	Smalls Class I	Wagon-load. C/J Sched
Delhi	...	901	1-0-5	0-14-4	1-9-9	1-0-5
Bareilly	...	762	1-0-9	0-13-0	1-9-9	1-0-9
Cawnpore	...	631	0-13-11	0-11-9	1-4-10	0-13-11
Allahabad	...	512	0-12-8	0-10-4	1-1-1	0-12-8
Benares	...	426	0-11-4	0-9-3	0-14-4	0-11-4
Dehri-on-sone	...	345	0-9-11	0-8-3	0-11-9	0-9-11
Gaya	...	292	0-9-1	0-7-6	0-10-1	0-9-1

The Committee of the Chamber do not find any justification for such increase in the rates for paper. They would point out that the case of the Paper Industry and the circumstances in which the industry finds itself, demand special consideration. Before the outbreak of the war there was a keen internal competition between the old paper mills and the new mills which had only recently entered the field. The production of the protected varieties of paper outstripped the demand in the Indian market. While questions like diversification of production with a view to adjust the supply to the demand in the country have been engaging the attention of the industry, you will appreciate that it is difficult to carry out any large scale alterations in the factories in the present times. When the war broke out the Paper Industry therefore looked forward to some improvement

of conditions. The various measures, however, like the Excess Profits Tax Act and the restrictions on imports etc., which the Government of India adopted affected the new Indian paper mills to a considerable extent. These restrictions have already greatly handicapped paper mills in India specially those which came into existence only recently. Although, the prices of paper have gone up to a certain extent, the profits of the mills have not increased to the same extent. Apart from the large portion of the profits taken away by the increased income and super taxes and the excess profits tax, the prices of raw materials, chemicals, stores etc., used by the industry have also increased to a large extent. On the other hand, if the present increase in the railway freight is transferred to the consumer, it is bound to result in an appreciable reduction of sales as the present prices of paper are already high.

The Committee of the Chamber would further point out that the present earnings of the Railways do not justify such action on the part of the Railways. The general increase of  $12\frac{1}{2}\%$  in railway rates is already being paid by the paper industry and the Committee do not see any reason to impose a further burden on the industry. The Committee would, therefore, request you to kindly reconsider the matter and revert to the rates existing prior to the 1st June, 1941.

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#### DIFFICULTIES EXPERIENCED BY COTTON MILLS DUE TO SHORTAGE OF WAGONS.—

Telegram dated the 6th January, 1941, from the Chamber  
to the Railway Board.

Committee Indian Chamber understand Railway not Booking Cotton from Punjab to Calcutta presumably owing wagon shortage. Mohini Mills Calcutta a Member of Chamber inform hundreds of bales lying at Khanewal Railway Station awaiting Transport to Calcutta. If immediate arrangements not made for wagons and Transport of Cotton from Khanewal and other Punjab Stations to Calcutta Momini Mills may be forced to suspend work throwing five to six thousand workers out of employment. No substitute for particular quality cotton can be obtained from other sources. Committee therefore strongly urge reopening of bookings of cotton from Punjab to Calcutta. Please wire reply action taken.

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#### SHORTAGE OF COAL WAGONS FOR BUILDING UP COAL AND COKE STOCKS.

Letter Nos. 2071, 2072 and 2073 dated the 15th/16th October, 1941, from the Chamber to the Government of India,  
Department of Commerce, and Communications,  
and Railway Board.

*Re: Building up coal and coke stocks.*

I am directed to refer to the Government's circular letter No. 140-Ind(47)/41 dated the 9th September, 1941, on the above

subject in which you desired the Chamber to urge upon all industrial consumers of coal and coke "the desirability of laying in adequate stocks of coal and coke". It was stated in the Government's letter that in order to safeguard industry against any emergency arising out of the war situation, it was desirable that reserve stocks of coal should be build up by consumers as early as possible, particularly "till the beginning of November, 1941—a period of relatively small congestion on the railways."

The Committee circularised this information to all interested members of the Chamber and they have received numerous complaints from industrial concerns that they have not been getting wagons even for their current requirements of coal, leaving aside the question of supplies to enable them to build up stocks in anticipation of the coming of the busy season. Many large industrial consumers of coal have complained to the Chamber that due to want of coal, the running of their factories has been greatly hampered and that some of them are, therefore, sustaining considerable losses also. In the Press Communique dated the 30th August, 1941, which the Railway Board issued, they gave an assurance that all possible steps to ensure adequate supply of wagons are being taken by railways. The Committee regret to point out that the situation has worsened rather than improved so far. The present arrangement whereby the surcharge on coal, coke and patent fuel at the rate of 15% operates during the slack season and is raised to 20% during the busy months was arrived at mainly with a view to persuade large consumers of coal to build up their stocks during the slack season when the wagon position would be easier so that the heavy congestion on the railways during the busy season may be avoided to a certain extent. In their letter under reference also, the Government visualised "a period of relatively small congestion on the railways" upto November and advised consumers to build up stocks during this period. The Committee may, however, point out that the shortage of coal wagons at present has defeated this purpose. As pointed out above, the consumers have not only been prevented from building up stocks before the starting of the "busy season" but have also been greatly inconvenienced owing to lack of coal for their current requirements.

The Committee, therefore, strongly feel that special efforts should be made by the Government immediately to ensure adequate supplies of wagons for coal traffic at present. The Committee also feel that there is no occasion or justification, under the above circumstances, for the Government to increase the surcharge from 15% to 20% from December onwards as the purpose of such increase having been frustrated, it would only mean increased taxation of the business community without any corresponding advantage. The Committee trust that the Government of India will be good enough to take immediate action.

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*Copy of letter No. 6871-T. dated the 1st November, 1941, from the Government of India, Railway Department, Railway Board, to the Chamber.*

Building up coal and coke stocks.

With reference to your letter No. 2073, dated 16th October, 1941, I am directed to state that every effort is being made by railways to load coal to the maximum capacity that can be handled and an improvement in the supply of coal to industrial concerns may be expected.

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**CONTRACT FOR LABOUR ON THE EAST INDIAN RAILWAY.—**

Letter No. 1264 dated the 6th June, 1941, from the Chamber to the General Manager, East Indian Railway.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to invite your attention to the question of labour contract placed by your Railway with Messrs. Bird & Co. The Committee understand that the contract for labour is being renewed by the Railway with the same firm since a number of years without tenders being invited for the same. Leaving aside the question whether or not the service provided for by this firm is satisfactory, they would point out that on principle it is essential that in a matter involving the disbursement of a large sum of money, the Railway should call for tenders, so that all possible economy in this respect could be effected. The Committee need hardly point out that there are a number of other respectable Indian contractors who could take up the work and carry it out efficiently. In case, however, the Railway do not consider it desirable for some reasons to invite open tenders for the purpose, the Committee feel it is atleast necessary that tenders should be invited as an alternative from recognised firms, for this contract.

The Committee would be glad if you will kindly enlighten them about the present position relating to the labour contract and also consider the above suggestions carefully.

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**WEEK-END RETURN TICKETS.—**

Letter No. 1777 dated the 23rd August, 1941, from the Chamber to the Chief Commercial Manager, East Indian Railway, Calcutta.

*Re: Cancellation of week-end tickets.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the press notice which has been issued on behalf of your railway to the effect that "from Friday the 29th August, 1941, all issues of week-end return journey

tickets in all cases will be cancelled and withdrawn both in local booking and also where available, in Through booking with certain foreign railways". While the Committee would like to know the reasons for this decision taken by the railway, they presume that this must have been done in the interests of revenue.

The Committee would, however, like to point out that the week-end return tickets have provided a great facility to all classes of people and particularly to the business community and merchants who have to make short visits every now and then. As it is, the railway passenger fares over Indian railways are already high in relation to the economic condition of the people and the continuance of the facilities like the week-end return tickets is not only desirable in the interests of the travelling public but also in the interests of the railways themselves. The Committee have no doubt that the week-end return journey tickets have encouraged railway travel. In any case, the Committee feel that in the interests of the large mass of people who may not be able to afford to pay increased fares, the facility of week-end return tickets should be continued so far as third class passengers are concerned.

An early reply will oblige.

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**PAYMENT OF ADDITIONAL RAILWAY FARE WHEN THE MAINLINE  
IS BREACHED AND THE TRAINS HAVE TO RUN  
VIA ALTERNATIVE ROUTE.—**

Letter No. 277 dated the 8th February, 1941, from the Chamber to the Railway Board.

I am directed to invite your attention to the question of railway passengers being asked to pay additional fare when travelling to a particular destination *via* an alternative route at a time when the direct route is out of order and closed. The Committee understand that the convention at present observed by the Railways is that when an interruption of communications occurs owing to a breach in the line or any other disorder, passengers already booked by the normal route are carried by the next shortest open route at the fares they have already paid but passengers desiring to travel after the normal route has been notified as closed are carried by and charged at the fares actually applicable to the next available open route.

The Committee of the Chamber feel that it is unfair to expect the public to pay additional fares for travelling to a destination when communication *via* the direct route is interrupted as a result of any accident or floods etc. In such cases, the passengers have already to undergo some inconvenience and to spend additional hours on the journey due to the closing of the direct route and the Committee are of the opinion that there is hardly

any justification for asking the passengers to pay an additional fare also. The Committee trust that the Railway Board would, therefore, consider the question of revising the Convention in order that the public may not have to pay unnecessarily additional charges in cases of accidents or interruptions in the direct route.

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## TRANSPORT—MARINE.

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Letter No. 1964 dated the 26th September, 1941, from the Chamber to the Government of India,

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the question of recruitment of Indians to the Royal Indian Navy. The Committee regret to point out that notwithstanding the assurances given from time to time in the past about the intentions of the Government to Indianise the personnel of the Royal Indian Navy, the progress of admission of Indians to the same has been very slow. The Committee would point out that when early in 1939, enlistment to the Royal Indian Naval Reserves and the Royal Indian Naval Volunteer Reserves started, a large number of ex-cadets of the training ship "DUFFERIN" joined these services. In fact, the Committee understand that there is hardly any ship of the Royal Indian Navy to-day which has not at least one ex-Cadet of the "DUFFERIN" on Board. These ex-cadets, the Committee would point out, are not only keenly desirous of learning the methods of Naval Warfare and enthusiastic to imbibe the traditions of the Navy, but are also trained persons well-qualified for recruitment to the navy. The Committee of the Chamber have, in fact, always insisted on the Mercantile Marine being recognised as the most suitable training ground for the navy. The R. I. N. R. and R. I. N. V. R. also include a large number of officers trained in the Mercantile Marine. The Committee, therefore, find it very disappointing that only two officers have till now been recruited to the Royal Indian Navy from the R. I. N. R. This is all the more regrettable when the personnel of the R. I. N. has been more than doubled during the last two years of the War. The Committee understand that due to the exigencies of the War, the Government of India are encouraging recruitment to the R. I. N. and other Defence services. The Committee, therefore, fail to appreciate why duly qualified Indians have not been taken in the R. I. N. The Committee further learn that on the other hand, a number of Officers from the British Reserves have been directly recruited to the R. I. N. The Committee deplore the procedure adopted by the Government of recruiting officers to the R. I. N. from the British Reserves while the claims of duly qualified Indians already serving in the R. I. N. R. have been ignored.



The Committee further understand that the Officers serving in the R. I. N. R. and the R. I. N. V. R. have not till now been granted permanent commissions. The Committee would point out that one of the reasons why the British Reserves have attracted the finest type of personnel is that they are not only given permanent Commissions but their position even after the termination of the War has been made secure. The Committee do not see any reason why Indian Officers enlisted in the R. I. N. R. and the R. I. N. V. R. have been given only "temporary reserve Commissions". The Committee need hardly point out that such a procedure would greatly discourage the right type of officers coming forward for service and it is essential, therefore, that permanent Commissions should be issued to the Officers now serving in the R. I. N. R. and the R. I. N. V. R.

The Committee are further given to understand that some of the non-Indian Officers joining the R. I. N. R. and the R. I. N. V. R. as Lieutenants are placed on a ship and started as Juniors to the Indian R. I. N. R. Sub-Lieutenants. After about one year's service, however, the new entrants automatically supersede the R. I. N. R. Indian Officer even though the latter might have had 8 or 9 years training at sea and higher technical qualifications. The Committee do not see any reason why the claims of duly qualified Indians should be superseded in this manner by non-Indians without practically any kind of previous experience at sea.

As the Government must be aware, a number of ex-cadets of the "DUFFERIN" who have been trained and qualified in the Mercantile Marine are desirous of serving in the Royal Indian Navy. But the discriminating treatment which is being meted out to them under which men from the British Reserves are given opportunities to serve in the R. I. N. in preference to them and their claims are superseded by inexperienced non-Indian entrants would certainly discourage enlistment not only to the R. I. N. R. and the R. I. N. V. R. but also to the training ship "DUFFERIN". In fact there is already an impression amongst the Ex-cadets that those officers who have been enlisted to the R. I. N. R. and the R. I. N. V. R. will have to return to the mercantile marine as no permanent commissions have been granted to them and after the termination of the War, therefore, the question of unemployment of trained "DUFFERIN" Cadets will again arise.

The Committee would in conclusion emphasise that it is essential that the attitude of the Government of India in the matter of recruitment to the R. I. N. should be completely altered. In consonance with their assurances of the past, the Government should take more Indians in the R. I. N. from the trained and qualified men of the R. I. N. R. It is also necessary that the number of direct appointments from the "DUFFERIN" Cadets to the R. I. N. should be increased. The Committee need hardly emphasise the importance of the matter not only for the future

of the training ship "DUFFERIN" but also from the wider view point of ensuring an adequate personnel for the Naval defences of the country and they trust the Government of India would give early attention to this question.

An early reply as to the steps, the Government propose to take in this connection will be appreciated.

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*Copy of letter No. 2733-N dated the 23rd October, 1941, from the Government of India, Defence Department, to the Chamber.*

I am directed to refer to your letter No. 1964, dated the 26th September, 1941, in which the Committee of your Chamber invites the attention of Government to the question of recruitment of Indians to the Royal Indian Navy, and suggests the recruitment of more Indians to the Commissioned ranks in the Royal Indian Navy and to the grant of permanent commissions to those in the R. I. N. R. and the R. I. N. V. R.

2. It is a fact that soon after the outbreak of war, two Indian officers were transferred from the Royal Indian Naval Reserve to permanent post in the Royal Indian Navy, but in view of the uncertainty of the post-war strength of the defence services of India, the Government of India decided, as a matter of general policy, that all recruitment to the commissioned ranks should be on a temporary basis. Accordingly, direct appointments on a permanent basis to the commissioned ranks of the R. I. N. were discontinued and all commissions granted in the R. I. N. R. and the R. I. N. V. R. were ordered to be on a temporary basis. Your Chamber is probably aware that a similar position exists with regard to the Army and the Air Force, and so far as Government are aware, a similar practice prevails in the Royal Navy. It is not a fact that any officers from the British Reserve have been directly recruited to the Royal Indian Navy since the outbreak of war. At the end of the war, when the post-war strength of the R. I. N. is fixed, suitable officers from the R. I. N. R. and the R. I. N. V. R. will be selected for permanent commissions in the R. I. N., such selections being made from both British and Indian reserve officers who have had satisfactory war service, and the seniority in the service of officers so recruited will be adjusted to count their war service.

3. It is stated in your letter that some of the non-Indian officers joining the R. I. N. R. and R. I. N. V. R. as lieutenants automatically supersede the R. I. N. R. Indian officers. This statement is not correct and the appointment and promotion of reserve officers is made solely in accordance with the regulations, and no discrimination is made between Indian and non-Indian officers.

4. In view of what has been stated above, there do not appear to be any reasonable grounds for discouragement to men coming forward for recruitment to the commissioned ranks of the R. I. N. R. and the R. I. N. V. R. and even though such

officers are given only temporary commissions at present, their claims for permanent commissions will be duly considered at the end of hostilities when the post-war strength of the R. I. N. is fixed. As the post-war strength is bound to be considerably greater than the pre-war strength of the R. I. N., commissioned officers of the reserves have every prospect of obtaining permanent commissions in the R. I. N., though no definite undertaking as to the number to be so taken can be given at present.

5. As regards the recruitment of cadets for the R. I. N., your Chamber is aware that these are recruited partly from the special examination held for "Dufferin" cadets, and partly from the open competitive examination held by the Federal Public Service Commission. The Government of India are unable to accept the suggestion of your Committee that a larger number of cadetships should be reserved for "Dufferin" candidates, since the "Dufferin" has not been able to produce, in certain years, suitable candidates to fill the vacancies reserved for them. The open competitive examination held by Federal Public Service Commission covers a much wider area and has been able to secure a larger number of suitable candidates of the right type.

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#### ESTABLISHMENT OF AN INDIAN SAILORS' HOME IN CALCUTTA.—

Joint Communique dated the 19th September, 1941, from the Bengal National, the Muslim and the Indian Chambers of Commerce to the Government of India,  
Department of Commerce.

The Committees of the Bengal National, the Indian and the Muslim Chambers of Commerce are given to understand that the question of the establishment and financing of an Indian Sailors' Home in Calcutta is under the active consideration of the Government of India. All the three Chambers which are addressing this communication have had their representatives on the Committee appointed by the Government of India to consider this matter and have agreed to the unanimous Report submitted by that Committee.

The Committees need hardly argue the case for an Indian Sailors' Home in Calcutta because anyone acquainted with the conditions under which Indian seamen have now to live cannot dispute the imperative necessity for the establishment of such an institution. They, however, propose to confine their observations in this letter only to one important aspect of the question, that is, securing the necessary finances for this Home. The Indian Sailors' Home Committee had, it is understood, recommended the utilisation of the balances accumulated with the Government through their receipts from fees levied on shipping for work on Sundays and closed holidays exceeding the amount of overtime paid to Customs officers and other expenditure incurred by Government. It was held by them that the shipping companies agreed to these fees being fixed at high rates with a view to discouraging unnecessary Sunday and holiday work on the understanding that any balance after paying the extra

expenditure incurred by Government would be utilised for the benefit of seamen and others closely connected with shipping. Government's receipts from the Customs, Sunday and holiday fees levied in Calcutta vary from year to year but for many years only a fixed sum of Rs. 24,000 per annum has been paid over to the Seamen's Welfare Association. This Association, it might be observed in passing, does not include any representatives of Indian shipping or commercial interests in its management nor has it done any work specifically for the benefit of Indian seamen with the exception of conducting an Indian Seamen's Clinic which was opened about four years ago. The Marine Club run by the Association does admit Indian officers but it will be appreciated that under the existing circumstances, their number is extremely small and the bulk of Indian seamen do not derive any benefit from the activities of the Club. The Association has all along been attending to the needs only of European seamen, despite the fact that the constitution of the Association provides for welfare work amongst all classes of seamen, although the Association is receiving a grant from the Calcutta Port Commissioners as well as from the Government of India and the Government of Bengal. That no special facilities for the recreation of Indian seamen exist in a port of the size and importance of Calcutta, is a matter for keen regret. In fact, the Committee cannot help observing that no welfare work for the sake of Indian seamen has been undertaken in Calcutta at all till now.

The Committees understand that the Government of India's average receipts from Sunday and Holiday Penalty Fees amount to about Rs. 1,00,000 per annum and it is difficult to believe that an average of Rs. 76,000 per annum is paid to Customs Officers for work on Sundays and holidays. It is true that the Government, as a war measure, have reduced the fees by half but they would never have done this unless the reduced rates still cover expenditure. There must, therefore, have been large annual surpluses and as the arrangement has been in force for several years, the accumulated surplus including interests must now be a large amount.

The Committee understand that the Government of India demur to this contention and state that there is no money available from the Customs, Sunday and Holiday Fees. This position, however, cannot be accepted by the Chambers. The Government of India have obtained for many years past revenue out of these fees which they are not entitled to merge in general revenues and spend for purposes which have no concern either with shipping or seamen. It is understood that only about one-third of the realisation is apportioned to deserving causes while the balance is appropriated for Customs welfare and some unknown head called "Crown Overtime" which, so far as the Committees are aware, has no connection with shipping. In other words, shipping is being made to pay for overtime which Government apparently cannot find anyone else to bear. Further, it is clear

from the statement of receipts and expenditure of the Sunday Fees Fund that out of a total of Rs. 1,39,439 collected from Calcutta during the year 1939-40 as much as Rs. 81,728 have been appropriated to payments as "Crown Overtime" whose precise meaning and scope are unknown while Rs. 34,000 are spent on grants-in-aid (or donations to welfare institutions) of which Rs. 24,000 go to the Seamen's Welfare Association. It might be added that the balance of Rs. 10,000 out of these grants-in-aid is expended for the benefit of Customs Officers including their Clubs etc., which means that even this amount is not utilised for the benefit of Indian seamen. The Committees do not propose in this letter to go into the legal aspects of the question nor about the origin of these fees. But they are strongly of the view that all the money paid by shipping companies as fees for working on Sundays and holidays should be spent on charitable purposes for the benefit of seamen and others connected with shipping. The Committees believe that this would be an important and recurring source of revenue for the proposed Home and it would also at the same time be a legitimate one because the money derived from shipping companies who employ Indian seamen would return for the benefit of the seamen themselves. They might add in this connection that the proceeds of the Port Health Dues Fund collected from shipping companies under Section 50 of the Indian Ports Act have hitherto been utilised almost entirely for the benefit of European seamen despite the fact that they are collected from the shipping companies many of which employ Indian seamen. For instance, in 1935-36, out of a total expenditure of about Rs. 65,000, Rs. 63,000 and over were spent for the benefit of European seamen and only about Rs. 1,000 was spent for Indian seamen. It is, therefore, only fair that the Customs fees levied on shipping companies should be expended for the benefit of Indian seamen whose invaluable services to the shipping of the Commonwealth are widely recognised and need hardly be stressed.

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#### SEVERE BORE IN RIVER HOOGHLY.—

Letter No. 1304 dated the 11th June, 1941, from the Chamber to the Chairman, the Commissioners for the Port of Calcutta.

I am directed by the Committee of this Chamber to refer to the severe bore in the river Hooghly which took place on the morning of Sunday the 8th instant. It appears from press reports that as a result of the bore, there were a few casualties, some pontoons were damaged and certain vessels in port were also snapped from their moorings. The Committee are surprised that no warning of this bore should have been issued by the Port Commissioners and they further understand that even the ships in the port were not warned about the impending danger.

My Committee understand that a notification was issued by the Port Commissioners to the effect that bores were expected in the river from the *night* of the 8th instant but no warning was given that they would occur in the *morning*, of the 8th. This has resulted in serious damage as stated above and the Committee will be glad to learn what steps the Port Commissioners propose to take to ensure that shipping as well as the general public are duly warned hereafter regarding any bores that may be likely to occur.

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*Copy of letter No. 3521 dated the 12th June, 1941, from the Chairman, the Commissioners for the Port of Calcutta, to the Chamber.*

In reply to your letter No. 1204 dated the 11th June, I beg to inform you that it was extremely unlikely according to the predicted ranges of tide that any bore would occur before Monday and even on that date a severe bore was improbable. The bore on Sunday morning was a freak occurrence which could not have been foreseen by the Commissioners or by anybody else.

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EXPIRY OF THE TERM OF OFFICE OF SIR THOMAS ELDERTON,  
CHAIRMAN, COMMISSIONERS FOR THE PORT OF CALCUTTA.—

Telegram dated the 11th January, 1941, from the Chamber to the Government of India, Department of Communications.

Committee Indian Chamber of Commerce understand term of office of Sir Thomas Elderton Chairman Calcutta Port Commissioners is to be over shortly. Committee strongly of opinion that an Indian should be appointed Chairman if Sir Thomas is not given extension and vacates office. Committee urge Government take steps accordingly.

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## POST AND TELEGRAPHS.

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### AIR MAIL SERVICE TO BURMA.—

Letter No. 1270 dated the 6th June, 1941, from the Chamber to the Director General of Posts and Telegraphs.

The attention of the Committee of this Chamber has been drawn to the fact that the Air Mail Service to Burma has been curtailed to once a week. The Committee understand that mails by the surface route are also despatched not more than once a week. They further learn that if the weight of the mails to be carried is larger, than can be safely taken into the Plane, some of the bags are left behind to be carried next week and mails are consequently further delayed. The Committee have to point

out that this delay in despatching mails to Burma has, however, placed Indian consigners of goods to Burma to considerable difficulties. Consignments despatched by surface route often reach Burma earlier than the relative documents despatched by Air. The Customs Authorities at Rangoon, however, do not release the consignments till the relative documents are produced. Consequently the goods incur unnecessary demurrage charges at Rangoon. The Committee are, however, given to understand that if the KLM Air Mail Service is utilised for despatch of mails to Burma in addition to the British Overseas Airways Service the situation could be considerably improved. In view of the difficulties experienced by the commercial community, the Committee will be glad if you will kindly consider this suggestion at an early date.

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**PROPOSED INTRODUCTION OF THE MESSAGE RATE SYSTEM IN  
CERTAIN TELEPHONE EXCHANGES.—**

Letter No. 2077 dated the 16th October, 1941, from the Chamber to the Director-General of Posts and Telegraphs.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to address you in connection with the proposal to introduce Message Rate System in certain telephone Exchanges of India. The Committee have carefully considered the question and they are strongly opposed to the substitution of the existing Flat Rate system by the Message Rate System. It has been calculated that the proposed change would result in a considerable increase in the cost of the telephone service to the public, for the same number of calls per day a subscriber would have to pay three times the present charges under the new system.

It is suggested as an argument in favour of the change that the existing Flat Rate system is disadvantageous to the small users and that it amounts to subsidising the large users at the expense of the small user who has to pay a higher initial rental. The Committee do not agree with this view as expressed by the Posts and Telegraphs authorities and are of the opinion that it is merely an indirect enhancement of the burden on the commercial, industrial and general public.

Further, during the present grave crisis arising out of war, expedition in the execution of business is of vital importance for which telephone is an essential means of communication for the business community. The raising of the cost of telephone service at such a juncture would be detrimental to the interests of the commercial concerns as also to the proper conduct of the war effort. The Committee are, therefore, strongly of the opinion that the existing flat Rate system should be continued combined, if necessary, with greater vigilance on the part of the Telephone Department to see that the rules and regulations of the Depart-

ment to see that the rules and regulations of the Department are enforced.

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*Copy of letter No. RS-3/41(53) dated the 24th October, 1941, from the Director-General Post and Telegraphs, to the Chamber.*

Subject:—Introduction of Message rate system.

With reference to your letter No. 2,077, dated the 16th October, 1941, I am directed to forward herewith a note explaining the proposed changes in the method of charging for telephone connections. It is hoped that this will satisfy you that the decision is in the interest of telephone users as a whole in India. In introducing the new system, Government are not actuated by a desire to earn more revenue and do not think that commercial interests or the war effort will suffer in any way. On the contrary the efficiency of the service is expected to improve with the elimination of unnecessary and wasteful calls.

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Letter No. 2168 dated the 4th November, 1941, from the Chamber to the Director-General of Posts and Telegraphs.

I am directed to invite reference to your letter No. RS-3/41(53) dated the 24th October, 1941, regarding proposed introduction of Message rate system on certain telephone exchanges. The Committee note that the Government desire to introduce Message rate system in the exchanges at Amritsar, Cawnpore, Jullunder, Dehradun and Poona. The Committee have further carefully gone through the note which you have been good enough to forward on the subject. They are however, unable to subscribe to the view expressed in the note that the flat rate system which has been in force so long has been found to lead to an excessive rate of calling on the part of many subscribers with consequent numerous ineffective calls due to engaged junctions and numbers and consequently the fear and tear on machinery and equipment and the increased employment of operators increase the cost of the service necessitating an increase in the rental charges. The Committee are aware that on account of the war conditions it is difficult to obtain machinery parts and equipment from abroad and that the existing stocks of the same in the country are limited. Apart from this, however, they would point out, that a certain amount of wear and tear on machinery and equipment is unavoidable, and is also bound to increase in proportion to the increase in trade and commerce at the various centres during the past few years and with the brisk business conditions which are occasioned by the different phases of war. The Committee do not feel therefore that it is justifiable to attribute the wear and tear on machinery and equipment to an excessive rate of calling or to the ineffective calls. In fact, the automatic system has been working in cities like Bombay for a number of



years and the Committee have not come to know of any necessity to increase the rental charges on this ground before the war.

As regards your statement in the note that the telephone Tariff should be based on the principle that the charges payable by subscribers should as nearly as possible correspond with the cost of supplying them with the service, the Committee do not see that there can be any objection to the same but they would point out that there is an inherent fallacy in holding that the Message rate system or the Measured rate system gives effect to this principle.

The cost is divided in your note under two heads—first expenses involved in providing equipment for the subscriber which should be covered by the annual rental charge for installation, and second, the operating and other expenses dependent on the volume of traffic which should be covered by the call charges. The Committee would, however, point out that this is not proper. It is hardly justifiable to say that the cost to the Company of putting through one thousand calls for instance would be double that of putting through five hundred calls. A basic equipment and its necessary charges are required irrespective of the calls put through the exchange. In fact the Committee firmly believe that once the machinery and equipment are established the cost of putting through one thousand calls would hardly be more than of putting through five hundred calls. In any case, the cost will not proportionately increase. The Message rate system therefore according to the Committee does not at all form a sound and reasonable basis of charging for the cost of the service.

The Committee note that the Government propose to introduce the Message rate system only as an experimental measure in a selected number of exchanges. They would, however, suggest that atleast twenty calls per Rupee should be allowed subject to the discount  $12\frac{1}{2}\%$  for prompt payment.

In view of what is stated above, the Committee trust the suggestion would be found acceptable by the Government.

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#### DIFFICULTIES RE : TRUNK TELEPHONE CALL.—

Letter No. 2379 dated the 5th December, 1941, from the Chamber to the Director General of Posts and Telegraphs.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to certain difficulties experienced by subscribers in connection with the trunk telephone calls.

Under the present system, no definite time, not even an approximate one, is given as to when the required connection may be obtained. The general reply received from the operator is that he cannot exactly say as to when the connection will be

available. Consequently, after booking a call, one has to wait at the telephone indefinitely, sometimes even for hours together in expectation of the desired connection. In many cases, the desired connections could not be obtained for over twelve hours. Moreover, in case the person who books the calls is, perchance, away from the telephone and meanwhile connection is obtained, it takes some time for him to come back to the telephone and it frequently happens that in the meantime the full or the most part of the allowed time of three minutes is already expired.

Apart from the above, reception of trunk calls has also been very indistinct lately and some times there is gradual fading of sound during the conversation. In such cases, there is considerable delay in the restoration of normal conversation and by the time the sound is restored, the allotted duration of time for the conversation comes to an end, although, in some cases, allowance is made for the time lost in establishing re-connection. It will be appreciated that urgent trunk telephone calls are booked when urgency arises and it causes great inconvenience and annoyance and waste of valuable time if indefinite waiting is involved in obtaining such connections or if the conversation is interrupted, particularly when extensions are not allowed owing to heavy pressure of traffic on the line. The Committee are also informed that there is often considerable delay in getting even the local trunk exchange when called for. They understand that recently a subscriber, having asked for the Trunk Exchange, had to wait for about half an hour before he could get connection.

The Committee appreciate that there is heavy pressure of work on the trunk lines these days but they feel that with improved methods much loss of time involved in obtaining and availing of trunk telephone connections could be avoided. The Committee trust that necessary steps would be taken by the Department to make the trunk service more prompt, effective and efficient. With this end in view, the Committee suggest that when a trunk call is booked, and particularly in the case of urgent calls, the operator should be able to give at least a rough idea of the time by which he expects the connection to be effected. Moreover, in the case of urgent calls, some definite time limit should be fixed within which the connection must be obtained.

The Committee would also like to suggest that as soon as the operator is in a position to know for himself that he expects to get connection by a certain time, he should inform the person booking the call at least three to five minutes in advance of the time of obtaining actual connection. The Committee trust that this suggestion would receive your careful consideration.

The Committee are also given to understand that the Department has adopted the practice of allocating particular hours for trunk calls between particular stations. The Committee shall be glad to know whether it is so.

An early reply will oblige.

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*Copy of letter No. IRTTL. 15705 dated the 17th December, 1941,  
/41  
from the Director-General Post and Telegraphs,  
to the Chamber.*

Subject:—Re: Trunk Calls.

With reference to your letter No. 2369, dated the 5th December, 1941, I am directed to inform you as follows:—

- (1) It is the standard practice to inform callers (when they book trunk calls) of the delay which their calls are likely to suffer.
- (2) It is not possible to fix any time limit for urgent calls to mature but the caller is at liberty to cancel his 'urgent call' if it does not mature within a time suitable to him and to book an ordinary call instead.
- (3) Since trunk telephone operators are very busy at the trunk boards, it is not possible for them to inform every caller at least 5 minutes before obtaining the connection. It is for the person who books the call to ensure that he is available at all times to complete his call when it matures.

As regards para. 6 of your letter under reference, I am to confirm the presumption in so far as it relates to more than two stations working on the only available circuit over a given section of line

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## MISCELLANEOUS.

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### JUTE FEDERATION SCHEME PREPARED BY PROF. TODD, SPECIAL INVESTIGATING OFFICER FOR JUTE FUTURES MARKET.—

Letter No. 561 dated the 10th March, 1941, from the Chamber to the Special Officer for Jute, Agricultural and Industries Department, Government of Bengal.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to refer to your letter dated the 17th February, 1941, inviting the views of the Chamber on the interim Report submitted by Prof. John Todd on the working of the Jute and Hessian Futures market. The Committee have considered the recommendations made by Prof. Todd in his Report and have to submit their observations as regards the Jute Futures Market as under:—

The Committee would point out at the outset that the scheme drawn up by Prof. Todd appears to be generally based on the

working of some of the important Futures Exchanges in the West. Through the fundamental principles underlying the working of such Exchanges are similar, the Committee have to remark that the conditions which obtain in other countries are in some important aspects entirely different from those prevalent in India. For example, the fact that jute is readily available in abundant quantities in Bengal where the Futures market is to operate, makes a fundamental difference between the Jute Futures market and the Futures Exchanges in other countries. In fact, it is not possible to run a Jute Exchange exactly on the lines of the other foreign Exchanges as producers and consumers are both present at the same place. The Committee therefore believe that it is not proper to apply certain set principles in reconstituting the Jute Futures market, but that the particular conditions obtainable in the province should be carefully taken into account in devising any scheme for the purpose. The Committee would further point out that in any scheme for the Futures market it is essential that the interest of the cultivator is properly kept in view. The Committee feel that this can be done only by ensuring that the market maintains a proper level of prices and does not degenerate into a gambling place for fictitious sellers and buyers. After these preliminary observations, the Committee would now refer *ad seriatum* to the recommendations made by Prof. Todd.

The first recommendation is about the establishment of a new body to be called the Indian Jute Federation representing every interest in the trade including the growers through the Government and certain wider interests as for example, Science, Banking and Shipping. The Committee note the constitution of the Council of the proposed Federation but they cannot help remarking that unduly large representation is sought to be given to the European interests on the Council. It is surprising that the European Mofussil Jute Balers Association and the Calcutta Jute Dealers Association are both proposed to be given two and one seats respectively. The Indian Jute Mills Association is also proposed to be given four seats. The Committee would emphasise that all the jute interests should be properly represented on the Council of the Federation and they would suggest that the European Mofussil Jute Balers Association and the Calcutta Jute Dealers Association should not be given together more than two seats. The Indian Jute Mills Association should also be given not more than three seats. The Committee would further refer to the seat proposed to be given to the Gunny Trade. They would point out that there is an established Association of the trade called the Gunny Trades Association and the seat proposed to be given to the Gunny Trade should therefore be given to this Association. Moreover, the Committee do not see any necessity why two seats should be given to Banking and Shipping interests. Every merchant whether dealing in Jute or any other trade has got his own relations with the banks but it does not therefore follow that banking and shipping interests should have a voice in his individual trade.

The next recommendation provides that the membership of the Exchange should be open to every individual or firm actually engaged in the Jute trade but to ensure the fulfilment of the brokers' obligations as principals to their fellow members they should deposit Rs. 50,000 in cash or Government securities with the Federation. The Committee appreciate that the brokers have considerable responsibilities. They feel, however, that if strictly enforced the present system of guarantee and security may also meet the situation. Moreover, it is necessary to allow some latitude for the present members of the East India Jute Association. In case, however, it is provided that deposits should be made, it is essential that a Board of Trustees should be appointed to administer the money and to invest the same in trustee securities. In that case the members of the Federation shall transfer to three or five trustees the money which they are responsible to deposit with the Federation and such money shall be called the 'Trust Funds.' The trustees shall stand possessed of the Trust Funds and all interest to accrue due thereon. They will invest such funds in agreement with the Council of the Federation, vary such investments if necessary, collect dividends and pay them to the Council of the Federation. A regular Jute Federation Trust Deed will have to be drawn for the purpose. .

The next recommendation is about the finances of the Federation and the Exchange. The Committee are strongly opposed to the proposal to impose a registration fee on contracts or a stamp duty by the Government on futures contracts. If such a fee is imposed there is no doubt that it would be a permanent levy on the trade. Moreover, the Committee do not think that the expenses of the Federation and the Exchange would be very heavy and they believe that the arbitration fees, subscriptions and Clearing House Charges would be able to meet practically all the expenses if due care is taken to ensure sufficient number of transactions. The Board of Trustees may also be invested with sufficient powers to raise interest on the deposits which may be invested in trustee securities. The Committee, however, note that effort is being made to frame a tentative estimate of the possible expenditure and revenue of the whole scheme.

The next recommendation is about imposition of a limit on "open interest" of each broker or of each client in order to check undue speculation. It is also proposed that every client should make and maintain a deposit of about 10 percent on his obligations to his broker. The Committee feel that it would be very difficult to enforce this provision. Moreover, the brokers will also find it practically impossible to demand 10 percent marginal deposit from all of their clients. Brokers do take margins from many of their clients even at present to secure themselves. The existing arrangements should therefore be continued and maintaining margins should be left to the option of the Brokers. It is however suggested that if it is necessary to adopt any measure to

check undue speculation, the Brokers may be required to deposit a margin of 10 per cent of their total outstanding business at the close of the day with the Exchange.

Recommendation No. 10 (page 24) provides that all contracts whether between members themselves or between members and non-members must be in writing and registered with the authorities of the Exchange and if necessary the contracts could be handled by a reputable accountant and only the statistical results communicated to the Directors under proper safeguards. The Committee, however, feel that contracts between non-members need not be required to be registered. Moreover, such a regulation would require maintenance of a large staff and the consequent expenses would also be very high. The Committee feel that the present system of registration in the books of the members if enforced with a stricter control would be quite sufficient to meet the requirements of the situation.

The next recommendation is that a limit should be imposed on the daily price fluctuations based on a percentage of value say 3 annas on a basic price of Rs. 8 per maund. The Committee would point out that such a limit would create a very difficult situation in times of crisis when the market is bound to go up or down and this limit would practically bring the market to a standstill. The Committee would state that even in the Liverpool Exchange last year when there were heavy fluctuations, the Exchange opened and closed merely at the nominal rate and those who had sold had no opportunity to cover their sales for days together. The Committee appreciate the intention behind this recommendation of limiting the extent of fluctuations but the remedy suggested is not workable. The Committee are therefore opposed to this recommendation.

The next recommendation is about brokerage which is proposed to be fixed and compulsory on a percentage basis of about  $\frac{1}{2}$  percent. This percentage is too high and the Committee would suggest that it may be kept only at 1/16 per cent.

Recommendation No. 14 (page 25):—It is proposed that there should be 12 monthly contracts open all the time, *i.e.*, for the current month and the 11 months ahead. It is also proposed that tender should be made on the first day of the delivery month or on fixed days during each week. The Committee are strongly opposed to this recommendation. They would suggest that there should be two-monthly period contracts such as for February, April, June etc., with option to the buyer to carry over the contracts to the next period by payment of a reasonable premium covering storage, insurance and other charges. If there are continuous contracts open all the time there will be transactions in September for as forward as August next year and even for crops which might not have been sown. The Committee feel it is not desirable to allow new crop transactions so early. Moreover, if such contract has to be closed every month, there will be a pressure

of sellers on the market and the prices would naturally go down. The monthly contract system therefore will act as a drag on the market and will definitely tend to keep the prices low. Experience has shown that even the three monthly contracts without the option to transfer from one delivery to another have always operated in a manner so as to bring down the prices. Monthly contracts would, therefore, greatly accentuate this tendency. The Committee recognise that the position would be somewhat different if there is a proper system of bonded warehouses. But there are no such warehouses at present. There should therefore be two-monthly contracts with option to transfer and new crop transactions should be allowed to open only on the first of February each year. The February contracts will therefore continue for about 17 months, *i.e.*, upto the end of June next year, but contracts of December will continue only for about 6 months. Again in next February new crop contracts can be entered into.

The next recommendation is about provision of adequate accommodation in licenced warehouses. The Committee agree that licenced warehouses should be provided for as early as possible.

The next recommendation deals with new set of standards for loose jute to be known as the Government grades and recommendation No. 17 describes the five grades. The Committee appreciate the difficulties in the matter and they would suggest that the grades may be fixed somewhat on the following lines, if not exactly the same:—

- I. Good colour, free from Samla, good lusture, free from defects, etc., Cuttings white 20%, Tossa 7%, 65%, Hessian warp.
- II. Medium colour and lustre, medium to good strength, cuttings 25% to 30% in white and 10% to 15% to Tossa 35% Hessian warp.
- III. Mixed colour and strength, free from Habi Jabi, Runners, Hunks and Sticks, Cuttings average 30% to 40% in white and 15% to 20% in Tossa, Sacking warp 50%.

*Rejections.*—All included—no guarantee. Sold separately should be named as rejection.

The Committee are agreeable that standard boxes should be prepared for the various grades but they would suggest that the same should be revised twice a year, once in August with the coming of the new crop, and again in January. It may be pointed out that by January the colour of Jute changes and it is essential that the samples should be revised at that time.

Recommendation No. 18 provides that of the five grades mentioned in the scheme the lowest would not be tenderable against the Futures contract nor any Jute containing excessive moisture. The Committee are strongly of the opinion that the seller should not have the option of tendering other grades than the one contracted for, but transactions should be allowed separately on all the grades so that real buyers may be attracted to the market. If the seller is allowed to tender any of the fixed grades against the contract, it would be a very unreasonable preference in his favour against the buyer. Such a preference to the seller would certainly discourage real buyers from coming to the market and the market would be confined only to fictitious buyers. The Committee are fully aware that option to tender any one of the grades is one of the fundamental characteristics of a Futures market but they believe that if that option is retained for the seller in this scheme, the whole purpose of the present scheme would be defeated. Real buyers can purchase only the specific grade they desire and if a wide option to tender is given to the seller, no *bonafide* buyer would come to the market and the same would degenerate into a market for persons desiring to make easy money. If other grades are allowed to be tendered the buyer may get a quality which he does not require and will have therefore to sell again and go to the spot market to purchase the quality he requires. There will be a selling pressure therefore in the market which will depress the prices. The Committee appreciate that the futures contracts are meant only to hedge the actual contracts but in view of the peculiar conditions of the Jute trade they would strongly emphasise that no option to tender should be given to the seller. All contracts in the Federation should be made on the basis of one of the specific grades fixed by the Government.

The Committee would next refer to the question of appointment of arbitrators. The Committee are of the opinion that there should be a simpler and more expeditious procedure and they would suggest that the Jute Federation should conduct arbitrations with their own panel of arbitrators taken from all sections of the trade. If, however, it is not possible for the Jute Federation to undertake arbitrations, the Committee would suggest that both the Bengal Chamber of Commerce and the Indian Chamber of Commerce should be authorised to conduct such cases. In no case however arbitrations should be confined only to the Bengal Chamber of Commerce as no one body should monopolise this kind of important work. It may be pointed out that the Indian Chamber of Commerce represents almost the entire Indian section of Jute trade. Not only almost all of the Indian owned Jute Mills and important Indian firms in every section of the trade are members of the Chamber, but the East India Jute Association, the Jute Balers Association, the Gunny Trades Association etc., are all affiliated to the Chamber. It is therefore emphasised that if provision is to be made for arbitration outside the Jute Federation, the Tribunal of Arbitration of the Indian Chamber of Commerce should also be authorised to conduct such cases.



In the end the Committee would emphasise that it is necessary to see in the interests of all concerned that the grades once established are properly maintained. It is also very essential to see that the contract does not become too wide. Prof. Todd himself has agreed that 'if the contract is too wide, those who have bought Jute are liable to have any of the different permitted varieties tendered to them, especially the least desirable of them and this may make buyers fight shy of the contract.' The Committee have therefore suggested that the transactions should be on one specific grade out of all the Government grades and there should be no option to the seller to tender other grades.

The Committee trust that the views expressed above will receive due consideration.

#### PRICE OF QUININE.—

Letter No. 867 dated the 22nd April, 1941, from the Chamber to the Government of Bengal, Forest and Excise Department, Cinchona Branch.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta to address you in regard to certain matters connected with the sale of Quinine by the Government of Bengal.

Firstly, the Committee are given to understand that the Government of Bengal have increased the price of Quinine from Rs. 18 which was the price before the war, to Rs. 34 per lb. The Committee strongly feel that an increase in the price of such an essential drug by about 100 percent without any increase or atleast even proportionate increase in the cost of production, is hardly justified, as it imposes a great burden on the users of quinine. The Committee need not stress that quinine is one of the most efficacious remedies for the treatment of Malaria, which disease is so widespread throughout the Province of Bengal and it is therefore essential that this drug should be made available to the public at as cheap a price as possible. In this connection, the Committee find from your reply dated the 23rd January, 1941, to the Indian Chemical Manufacturers' Association that the Government 'cannot control the market price' and that if the difference is considerable 'the concession is intercepted by middlemen and medicine-makers. This plea, in the opinion of the Committee, is hardly convincing. When the Government of Bengal have set up an organisation for controlling the price of various articles produced and sold in the province and the same has been successful to a large extent in controlling the prices, it is difficult to believe that the Government of Bengal would not be able to check the concession of Quinine from being intercepted by middlemen and medicine-makers. Moreover, it is well-known that there is already a keen competition in the Drugs trade and it is, therefore, highly unlikely that the middlemen or the manufacturers could pocket the difference between

the market price and the price of purchase from Government. In any case, in view of the necessity of marketing this product at as low a price as possible, the Committee feel that the price of quinine should not be kept at such a high level and should be brought down to a more reasonable level.

Another matter to which the Committee desire to refer is the system of distribution of quinine. At present quinine is being distributed through the agency of one European and one Indian firm, the latter only working as a subsidiary concern of the former, and all dispensaries etc., have to get their requirements through these firms. The Committee would suggest that the monopoly of distribution should be terminated as early as possible and quinine should be distributed to the dispensaries, dealers and manufacturers by the Government in certain proportion by fixing a quota for each district. The Committee understand that the arrangement for selling quinine through the above agents was made long ago when conditions were entirely different and that the contract is expiring in the latter half of the next year.

The Committee trust that the opportunity will be taken by the Government to terminate the present arrangement and distribute quinine directly to the consumers, the manufacturers etc., preferably on a quota system as already suggested by the Indian Chemical Manufacturers' Association.

The Committee shall be obliged to receive an early reply.

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*Copy of letter No. 379(2)-T. Cin dated the 11th June, 1941, from the Government of Bengal, Forest and Excise Department to the Chamber.*

I am directed to refer to your letter No. 867, dated the 22nd April, 1941, in connection with the sale of this Government quinine, and to say that the agents for the disposal of Government quinine are entitled under the terms of their agreement to sell to whom they may please within the Bengal area of distribution, *viz.*, Bengal, Behar, Orissa and Assam and the Indian States within these limits, except to what is called the reserved field of Government, *viz.*, Government Departments, Hospitals and Dispensaries, Local Bodies such as District Boards, Municipalities, etc., Missions, and to the public through the medium of Post Offices. The agents generally sell to their pre-war customers as a matter of trade practice in preference to new post-war customers, and Government are not entitled to interfere with their freedom in this respect. The distribution of quinine in Bengal through the agents under a system of quota for each district as suggested by your Chamber can not therefore be enforced by Government.

2. As regards this Government's policy in the matter of fixation of their quinine price in relation to Madras Government

price, I am to forward herewith a copy of the Director of Public Information's letter\* No. 1564-Pub; dated the 12th April, 1941, which was published in the Amrita Bazar Patrika dated the 17th April, 1941. From this letter it will appear that this Government's quinine forms only a small part of the total quantity consumed, and accordingly it is not possible for this Government to control the price of quinine when they are not in a position to supply the needs of the market. I am to express the hope that this will remove all misconceptions in the minds of your Chamber in this matter.

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**EXTENSION OF THE OPERATION OF THE CALCUTTA IMPROVEMENT ACT TO HOWRAH.—**

Letter No. 478 dated the 25th February, 1941, from the Chamber to the Government of Bengal, Department of Public Health and Local Self-Government.

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to the question of extension of the operation of the Calcutta Improvement Act, 1911 to Howrah. The Committee have been receiving complaints since a long time about the insanitary conditions in Howrah on account of bad drainage, insufficient water supply and unclean busties etc. The public in Howrah has also been demanding a separate Improvement Trust for Howrah since a number of years. At the Conference held on the 24th September, 1939, between the representatives of the Government and those of the rate-payers of Howrah, however, it was agreed upon that the Government should take early steps to introduce necessary legislation for the extension of the operation of the Calcutta Improvement Act to Howrah. The Howrah Municipality, in pursuance of the arrangement agreed upon, has already raised an additional tax at a consolidated rate of  $2\frac{1}{2}$  per cent from the 1st April, 1940, to meet the extra expenses on account of the activities of the Improvement Trust. As late as December, 1940, a memorial was also submitted to the Government by more than 30 members of the Bengal Legislative Assembly belonging to various parties requesting the Government to expedite the necessary legislation. The Committee, however, regret that the Government have not as yet come forward with any proposal to introduce legislation for the extension of the Calcutta Improvement Act to Howrah. In view of the importance of the matter, the Committee therefore request the Government to introduce the necessary measure in the current session of the Legislative Assembly.

In this connection, the Committee would also invite the attention of the Government to the correspondence resting their memo. No. 76-TM dated the 5th June, 1940, addressed to this Chamber, regarding representation of the Chamber on the

Calcutta Improvement Trust. It was stated therein that the request of the Chamber for representation on the Board of the Improvement Trust would receive due consideration when the Act would be next amended. The Committee need hardly point out that in view of the importance of this Chamber, it already enjoys representation on a number of public bodies including the Bengal Legislative Assembly, Commissioners for the Port of Calcutta, the Central Jute Committee, Provincial Transport Authority, Price Control Advisory Committee, Advisory Committees of the various Railways etc., etc. The Chamber also represents a capital of more than Rs. 360 crores and represents a large variety of trade and industrial interests in the province. It will, therefore, only be fair if the Chamber is granted representation on the Improvement Trust and they hope that the Government would take this opportunity of amendment of the Act for according representation to the Chamber on the Improvement Trust.

The Committee trust the suggestions made above would receive your careful consideration.

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*Presidential Speech of Sir Badridas Goenka Kt., C. I. E.,  
President of the Chamber, delivered at the First  
Quarterly General Meeting of the Indian Cham-  
ber of Commerce Calcutta, held on Friday  
the 23rd May, 1941, at 4-30 P.M.  
at the Premises of the  
Chamber.*

GENTLEMEN,

I extend to you a hearty welcome to this First Quarterly Meeting of the Chamber of the current year. Since we met in February last, at the time of the Annual General Meeting, there have been some very important developments in the international situation. It is now more than twenty months that the War has been in progress and it has had considerable effect on our foreign trade. India's total exports in the year 1940-41 have declined by Rs. 17·01 crores as compared to those in the previous year. The import trade of the country has also suffered during the year 1940-41 by Rs. 8·49 crores as compared to the year 1939-40. Amongst other articles, the exports of raw materials have shown a serious decline. Exports of hides and skins declined during this period by Rs. 97 lacs, of oil-cakes by Rs. 1·19 crores, oil seeds by Rs. 1·84 crores, raw cotton by Rs. 6·58 crores, raw jute by Rs. 11·99 crores and of raw wool by Rs. 1·58 crores. This decline in the foreign trade of our country has been largely due to the worsening of the international situation and the acute shortage of shipping experienced by Indian shippers. I, for my part, however, believe that it is a wrong policy for a country like India with its vast agricultural population to be dependent in this manner upon foreign markets over which obviously we can have no control. We need a large export trade at present in order to meet the invisible imports in the shape of services, capital etc., and it is obvious that this export trade does not bring any prosperity to the country in the larger sense. These exports are imposed upon us by circumstances and are more or less in the nature of payments for meeting our standing obligations rather than as means of bringing any new or additional wealth in the country. Notwithstanding our accumulated favourable balances, the standard of living in India has not gone up and is still probably the lowest among the civilized countries of the world. Firstly, as regards articles of food it is estimated on the basis of available supplies that our per capita consumption of certain essential articles of daily use such as salt, sugar, grains, cereals and flour etc., was much below the average needs of human consumption. Thus in 1937-38 the average consumption of salt per annum of an Indian was about 10·3 lbs., of grains and cereals including flour only 5 chatacks per head per day with an extra supply of  $1\frac{1}{4}$  chatacks for seeds, for cattle feeding and wastages. The consumption of sugar per capita including gur amounted to about 26 lbs. per year while it is 105 lbs. in the U. K. and Australia and 94 lbs. in the United States of America. The consumption of kerosene which is another important article of daily use by the millions was as low as

0·6 gallon per head per year. As regards cloth, it is well known that our total per capita consumption including both mill-made and handloom production does not exceed 16 yards. In the face of this unmistakable evidence of under-consumption, we are led to the inevitable conclusion that India's exports have not been the surplus exports of a prosperous nation but more or less forced exports at the cost of the primary needs of the masses. What is most essential, therefore, and what would be the first pre-requisite for increasing our standard of living is that the country should consume within itself as much as possible, what it produces. In order to ensure adequate clothing for the population, for example, the average per capita consumption should be at least 50 yards per annum and on this basis India should consume 19 thousand million yards of cloth annually as against the present estimate of about 6 thousand million yards. The total quantity of cotton required to produce this cloth would at least be 10 million bales as against the  $5\frac{1}{2}$  to 6 million bales which is India's total output at present. It is obvious, therefore, that with the rise in our standard of living, the large potential market in the country itself will be able to absorb most of our primary produce and the Indian agriculturist will not have to look to export markets for disposing of his produce. It is undeniable that if we have indigenous industries flourishing in the country in sufficient numbers, most of our raw produce can be utilised within the country itself and that will not only make available increased quantities of goods for consumption but also enhance the purchasing power of the people.

The Committee of your Chamber have, therefore, always emphasised the necessity of an active policy of industrialisation for the country. The outbreak of the war more than a year and half ago, provided another of those "calamitous events required to rouse Government from its lethargy" as stated by Pandit Hirday Nath Kunzru early last month in the Council of State while moving his Resolution on industrial development. Indeed, although public opinion in this country has been pressing for the adoption of an active policy of balanced economic progress, which is possible only by the development of industries side by side with progress in agricultural production, it was only the conditions created by War both during 1914-18 and the present emergency which compelled the Government of India to give thought to the question of industrialisation. It is true that since the outbreak of the present hostilities, the exigencies of the war situation and the requirements of the supplies programme have helped to increase industrial production in India. But the main point is that while established industries might have received a spurt and some new factories might have been set up here and there and other sources of industrial production developed, the opportunity has not been utilised by the Government to forge all this effort into a planned and systematic development of industries so that the progress made during the war is turned to the lasting benefit of the country.

Even at the risk of some diversion, let me make it clear, why I am laying stress on the responsibility and the duty of the Government for furthering programme of industrialisation. Whereas under modern conditions, the industrial advancement of a country depends greatly on State assistance, co-operation and protection even in peace time, in times of war such advancement depends all the more on Government initiative and action. The very method of modern warfare which, more than ever before, has to be organised on a totalitarian basis and in which the economic front is at least as important if not more, than the actual military front, leads the Government to assume all-pervasive control over production, distribution, transport and supplies. Whether it is the question of procuring the supply of raw materials or electrical power by priority, of obtaining exchange for the import of machinery, or the requisite supply of technical skill and transport facilities, which in the case of sea transport particularly, are all controlled and regulated by Government, or, above all, of providing an outlet for the manufactured products through Government purchases, the private *entrepreneur* has always to depend on Government action. Under such circumstances, it is obvious that it is only the Government which can initiate and promote organised industrial development.

Let us see how other Empire countries have fared economically since the outbreak of the war. The powerful impetus which Canada's industries have received from war is revealed by the following figures. The output of pig-iron in September, 1940, was 105 thousand tons as compared with 66 thousand tons in September, 1939. Meanwhile, the production of steel rose from 125 thousand tons to 165 thousand tons. In the Associated automobile industry output rose, on the same comparison, from 3922 to 15,475 units. There has been indeed an alround increase in business activity, the official index of the physical volume of business having risen to 135·9 for the first four months of the present war as compared to 113·7 for the same period in 1939. Mining operations continued to expand, construction activity was on the highest level—building permits for 58 municipalities having increased, on the September comparison, from 4,103,000 to 6,426,000 dollars, while contracts awarded advanced from about 19 million to 52 million dollars. There was also a marked rise in employment. This general improvement was noticeable in respect of consumers' industries also. Electric power production in the first four months of 1940 increased to 9,718 million K. W. hours from 9,165 million during the same period in 1939. Turning to Australia, we see that the Commonwealth Government expended about £47 million of loan monies in addition to £42 million provided out of revenue during the five months ended November, 1940. The distribution of these large amounts we are told, "has given a pronounced stimulus to secondary industries and through them to trade in general as well as to other sections of commercial activities, including transport and enter-

tainment". To continue the narrative "as a result, employment is at an exceptionally high level, and large numbers of wage-earners in most classes of industries are receiving substantial sums of over-time on top of wages". As regards Australia's overseas trade, both imports and exports for the twelve months from November, 1939, to October, 1940, were higher than those recorded for any financial year since 1929. I need not refer to the armament and other heavy industries which have made almost phenomenal progress during the last two years in Australia. We all know that since war began Australia has developed air-craft production and Australian Bombers have already taken to the skies. The alround increase in economic prosperity is reflected in the estimates of National Income of Australia, which rose from £788 million in 1938-39 to £863 million in 1939-40 and to a tentative estimate of about £900 million in 1940-41.

Contrast these, Gentlemen, with conditions in this country. As I have already pointed out above, the overseas trade in this country in 1940-41 suffered a decline both in imports as well as in exports as compared to the year 1939-40. Wholesale prices of agricultural commodities have not only not shown any improvement but have, on the other hand, registered a considerable decline. The official index numbers of wholesale prices in Calcutta, for example, of cereals, pulses, sugar and oilseeds in April, 1941, were 96,96,142 and 96 respectively as against 98,102, 165 and 113 for the same commodities in the April of last year. The index number of raw jute prices declined on the same comparison, from 99 to 54, of raw cotton from 108 to 66 and of hides and skins from 82 to 68. There has no doubt been slight increase in the index numbers of certain manufactures, for example, of jute manufactures from 111 to 117 and of cotton manufactures from 126 to 142, but it is obvious that this increase is insignificant as compared to the decline in the prices of agricultural commodities which are the main-stay of India's national economy.

I do not wish to prolong this them further. My only purpose was to show how the absence of any systematic and planned economic policy on the part of the Government of India have reacted to the detriment of national interests. Lest I should appear to be only destructive in my criticism, I would take this opportunity of suggesting some definite ways in which, if the Government were so inclined, they could help in a great measure to promote industrialisation. Firstly, Government should be prompt and liberal in giving an assurance of legitimate and reasonable protection whenever they are approached by any industry. I am aware that the Hon'ble Commerce Member had made a declaration last year with regard to post-war protection of industries but the real value of such general offer can be gauged only by the manner in which it is applied to particular instances. Your Committee had an occasion recently to approach the Commerce Department for such an assurance of protection with refer-



ence to a particular industry but I regret to have to say that the reply which the Chamber received from the Government did not reveal any changed outlook. On the contrary, the Government refused to consider the request merely on technical grounds. In another case, the Government did not even agree to maintain the level of revenue duties already in force for a few years so as to enable any new indigenous venture to stand on its own legs.

Another manner in which the Government can encourage industrialisation is by extending their patronage in the matter of purchases. The Supply Department of the Government of India is in a position, by regulating its purchases, to extend large amount of patronage to indigenous industries. It requires no emphasis to say that Indian concerns are entitled to patronage and even preference from the Government in their purchasing programme. But this can be put into effect only if Indians are put into key position in the Supply Department. I do not wish to say much to-day about the working of the Supply Department both because enough has already been said about it on various occasions during the last year and a half and because most of you, I am sure, have got personal experience of the conditions. Your Chamber have also written to the Government on many occasions to show the unsatisfactory nature of the working of this Department.

Thirdly, there are various other small difficulties in the way of starting new industries and the working of old ones which the Government can and should remove. For example, there are difficulties of getting foreign exchange of securing machinery, supplies of essential raw materials and technicians etc. While the Government of India should have readily come forward to grant all facilities to new concerns for the import of necessary machinery and materials from abroad and to provide for the necessary exchange and shipping space, cases have come to the notice of the Chamber in which the Government, on the contrary, took over machinery ordered by private industrial concerns from abroad, when, with a little foresight, they themselves could have placed orders and got the same.

The above is only a brief indication of the lines on which the Government can help to promote industrialisation. The main thing, however, is the will and the desire to do so. After all, the industrial policy of the Government cannot be judged by this particular measure or that but is fundamentally a question of the outlook of the Government towards national industries and of the spirit in which their problems and difficulties are viewed and treated by those in authority.

As pointed out above, the dislocation of shipping and the curtailment of shipping space are the main adverse factors for overseas commerce during war. In recent months, however, scarcity of tonnage and dearth of shipping space has affected our coastal trade also. I understand that nearly four lacs of tons

of rice less than in normal years have been imported during the last four months owing to want of tonnage. Although lately the position has improved, the shortage of rice owing to decrease in imports from Burma has affected the price of rice. The Committee of the Chamber have already addressed a representation to the Government urging upon them to release the vessels requisitioned by the Government in order to relieve to some extent the present situation before the approach of monsoon when shipments would be difficult. I believe it would be possible to relieve the present position by the Government of India impressing upon His Majesty's Government the vital necessity of the requirements of India's coastal trade being adequately met by shipping tonnage particularly when the pressure on railway wagons requires alternative and supplementary forms of transport.

I trust the Government of India and the British Government would realise how even the small and insignificant Indian merchant fleet built up after years of struggle without any State aid and despite the opposition of non-Indian interests has been found extremely useful not only for purposes of naval defence but also for carriage of stores and troops overseas. It has thus played the part in however small a capacity, of a navy of defence as well as supply. Let us hope that now at least the Government will realise their obligation to a key industry and will recognise its role as a contributor to national effort. I would, therefore, urge that Government should make a clear exposition of their post-war policy on shipping and also see that in fixing the rates for compensation and requisition, they fully take into account the need for special provision for post-war replacement so as to make Indian shipping an adequate and efficient unit of national economy. I am glad the Hon'ble Commerce Member has given a broad assurance in the Legislative Assembly that in arriving at a decision regarding terms of compensation "the peculiar circumstances of Indian shipping will not be overlooked" and I trust that this statement will be so interpreted and implemented as to treat the Indian shipping industry in a generous manner.

I would like to make a mention here of the Eastern Group Supply Council established in India in February last following the Eastern Group Conference held last year. India is represented on the Council by an official of the Government of India, Mr. M. S. A. Hydari. Although as Mr. Hydari pointed out recently in the course of a broadcast talk on the work of the Eastern Group Council "the Council is an organisation which has been set up to subserve the needs of war" and its objective "is not the economic advancement of its constituent countries though that must necessarily result from its operations", there is no doubt that the working of the Council, charged as it is with the efficient procurement of war supplies, will have an important bearing on the progress of industrialisation in the country. It is very essential, therefore, that as the Federation of Indian Chambers of Commerce and Industry suggested by a resolution

on this subject at their last Session held in March the representative of the Government of India on the Council should "remain in active contact with representative Indian commercial opinion and should consult it from time to time in regard to the practical measures to be adopted in pursuance of the policy laid down by the Council. Mr. Hydari himself recognised the need of "the closest contact between the Indian representatives of the Council, the Indian Supply Department and Indian industry". I trust that these sentiments would be given effect to in actual practice.

Gentlemen, early last month, the conclusion of a fresh trade Agreement between India and Burma was announced by the two Governments. Although the Agreement has not yet been finally drawn up, the main heads of the Agreement have been made available to the public. An important question which remains to be settled in this connection, however, is that of the position of Indians in Burma. The Government of Burma have already given notice of termination of the Indo Burma Immigration Order of 1937 and the Government of India are reported to have been considering the recommendation of the Baxter Commission appointed by the Government of Burma some time back to examine this question. I may recall here the fact that whereas British subjects domiciled in the United Kingdom are given free right of entry into Burma, the Government of Burma Act of 1935 permits the imposition of restrictions on the right of entry into Burma of Indians, who too are as much British subjects as those domiciled in the U. K. Indeed, this discrimination against Indians qua Indians constitutes one of the most glaring illustrations of racial injustice. I would urge the Government of India to see that the legitimate rights and interests of Indians in Burma and their status as citizens are adequately safeguarded when the matter is now discussed anew. In view of the large stake of the Indian business community in Burma, it is imperative that the Government of India take the commercial community into confidence on this question as early as possible. I would also suggest that the Report of the Baxter Commission should now be published at an early date in order to enable this question of Indian Immigration into Burma to be discussed in all its aspects.

I will not take more of your time, Gentlemen. But before I resume my seat, I must refer to the sad occurrence of communal riot at Dacca. It is very deplorable that although some weeks have elapsed since the riots took place, sporadic attacks continue to take place even at present. Harrowing tales of distress and loss of lives and property have been received from Dacca and adjoining villages. While all our sympathies go to the victims of the riots—whether Hindus or Mussalmans—we cannot but condemn in the strongest words possible the instigators of these riots who for their base gains have inflicted so much misery and shed so much innocent blood. The Dacca riots, as you are aware, were followed by riots at Ahmedabad, Bombay and in

Bihar. I refuse to believe, Gentlemen, that the average Hindu and the average Muslim going about in the street bear any enmity or ill-will towards each other. It is only a few interested persons who for their self-interest play with communal feelings and try to create this canker in our national life. The communal tension in the country is particularly deplorable at this stage when the danger of foreign aggression is drawing nearer our shores. There is no doubt that a unified nation with a national Government at the head would have made an amount of difference in preparing the country for any such emergency. It is unfortunate, therefore, that the political stalemate has been allowed to continue to the detriment of the country. The sort of negative attitude adopted by the British Government as reflected in the recent speeches of the Secretary of State for India is not suited to the political consciousness discernable in the country and has been declared to be unsatisfactory by responsible persons of different shades of opinion. Even informed opinion in England has lately been critical of Mr. Amery's policy and I believe that it is not only in the interests of India but also in the interests of Britain herself that this growing enstrangement between the two countries is stopped at an early date. I, therefore, earnestly hope that His Excellency the Viceroy will be able to gauge correctly the Indian sentiments in the matter and once more take the lead to resolve this unfortunate impasse.

I thank you, Gentlemen.

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*Presidential Speech of Sir Badridas Goenka, Kt., C. I. E.,  
President of the Chamber, delivered at the Second  
Quarterly General Meeting of the Chamber held  
on Wednesday the 27th August, 1941, at  
4-30 P.M. at the Premises of the  
Chamber.*

Gentlemen,

I extend to you a hearty welcome to this Second Quarterly Meeting of the Chamber. Since I addressed you in May last, there have been certain major developments in the international situation which are bound to have far-reaching effects on the position of our country *vis-a-vis* the war as also on our national economy. The wanton aggression of Germany against Soviet Russia, the Japanese coup in Indo-China and the latest developments in Iran are all events of outstanding importance and concern to us, in India, and the war is now much nearer to our shores than ever before. Soviet Russia has no doubt put up a very brave and stubborn resistance and, in the Middle and the Far East also, Britain has taken strong measures in collaboration with Soviet Russia and the United States of America respectively. While in the West, the Nazi and Russian forces are engaged in what is perhaps the most gigantic battle that the world has ever known, the advance of Japan in the Southern Pacific has been followed by quick economic retaliation on the part of Britain and U. S. A. In pursuance of the common policy adopted by these Governments, the Government of India also took prompt action in freezing all Japanese assets in the country. The operation of the Indo-Japanese Trade Agreement was also suspended forthwith. The application of the freezing Order affected a number of merchants and businessmen in the country having dealings with Japan and created a difficult situation for them in certain cases. Your Committee immediately made telegraphic representations to the Finance Department of the Government of India and to the Reserve Bank requesting them to allow payments due to Indian merchants and firms who had got large sums of money outstanding against Japanese firms, and in Japanese Banks, either in the shape of deposits made during the course of business or in respect of transactions entered into before the 26th July, 1941, that is, the date on with the freezing Order came into force. I am glad to say that the Reserve Bank of India issued immediate instructions to permit payments from blocked Japanese assets in settlement of accounts entered into prior to the freezing of Japanese assets in India.

Early in June, the Government of India announced that they had decided to appoint a "Reconstruction Committee" to deal with post-war economic problems. When the details of the scheme were announced, the Indian commercial community felt that the whole conception of post-war reconstruction as envisaged by the Government was materially different to what they, the mercantile community, had expected. Your Committee took up

the matter with the Government pointing out that so far as India was concerned, the post-war problem was not one of scrapping the extra productive capacity brought about by war needs but one of adjusting, continuing and expanding the production begun during the war and what the needs of the country, therefore, demanded was the appointment of a Committee composed mainly of eminent industrialists and Indian publicmen to plan the course of post-war industrial development. It was pointed out that a purely inter-departmental and official machinery like the one set up by the Government of India would not achieve the purpose in view. It was also considered to be a regrettable feature of the whole scheme that the main co-ordination committee consisted wholly of non-Indians except the Commerce Member who was to be the Chairman and that the four other committees were also to be presided over, in fact, by non-Indian officials.

Your Committee had, however, an opportunity of discussing the matter with the Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member personally when he visited Calcutta early this month. The Hon'ble Member was good enough to give a comprehensive survey to the Committee describing the scope of work of the Reconstruction Committee and explain the view-point of the Government in setting up the same. Although the Commerce Member stated that the original Reconstruction Committee which has now been termed as the "Reconstruction Committee" (Co-ordination), and which is a purely official and almost wholly non-Indian body, will not have any superior authority over the four other Reconstruction Committees appointed later and that the Reports of the latter committees would each be submitted to the Government independently, I regret to have to say that the position is even now not sufficiently clear. The press note issued by the Government of India on the 24th June which has been circulated recently by the Government to commercial bodies and which explains the scope and functions of the various Reconstruction Committees states that "the Reconstruction Committee (Co-ordination) will receive the Reports of the other committees and will be responsible for giving guidance, where necessary, to the work of the other committees". No doubt, the press communique adds that "the recommendations of the committees will be considered by the Governor-General-in-Council and such action as may be considered necessary taken thereon", it is not clear why it was necessary to provide that the Reports of the four committees will be 'received' by the Reconstruction Committee (Co-ordination) and that this latter Committee "will be responsible for giving guidance" to the other committees in their work. The principal objection of the Indian commercial community against the scheme of post-war reconstruction adopted by the Government was that although the "other" four committees were to include representatives of commercial interests, the main committee which was to "guide" the work of these committees was to be a purely official and almost wholly non-Indian body. I am

afraid that in view of the above this criticism still holds goods. I may, however, mention that your Committee have under consideration the question of submitting certain constructive suggestions to the Government in this connection, particularly with regard to industrial development during and after the war.

I now come to the question of our foreign trade. While Continental markets have been closed for Indian products, our trade with the U. S. A. and some of the Empire countries has been increasing to an appreciable extent. The latest figures of our trade position with the U. S. A. are as under :—

### TRADE WITH U. S. A.

(In rupees)

. ———			<i>Imports from U. S. A.</i>	<i>Exports to U. S. A.</i>
1939-40	...	...	11,86,38,124	24,42,34,079
1940-41	...	...	27,00,62,601	25,90,71,625
1940 (3 months)	...	...	6,08,17,624 (April June)	6,83,78,972
1941 (3 months)	...	...	10,14,27,643 (April June)	10,11,30,001

You will perceive from this, that the U. S. A. has not only become one of our main customers but also occupies no less important a position as a supplier to this country of goods some of which are vitally necessary to our industries. Recently, however, the U. S. A. Government have considered it desirable to restrict the export of essential articles from their country. The Government of India have also been compelled to adopt further import restrictions. The recent notification which the Government have issued in this connection explains the position and further states that it is also necessary to base the Indian purchases, both Governmental and private, of certain American goods which the essential requirements of India to the maximum extent possible on the Lease and Lend arrangement, and it will be necessary before licenses are issued for importation, to consider whether the transaction should not be converted into an inter-Governmental one. While I appreciate that the regulation of our foreign trade may be necessary under the present circumstances, I would point out that although India is now importing a good deal more from the U. S. A. than before, our exports to that country have also kept pace and have risen to the extent of our imports from there. This fact, coupled with the facilities under the Lease and Lend Legislation and the

possibility of converting transactions into Governmental ones, shows that the question of finding any extra Dollar Exchange for imports from the U. S. A. does not arise and there should, therefore, be no difficulty for reasons of Exchange in obtaining from the U. S. A. articles essential to Indian industries. As you are aware, the Government of India have also appointed a Purchasing Mission in the United States. Though the work of the Mission will be primarily to arrange for the war requirements of the Government, I hope that the Government of India will also extend the benefit of the presence of Indian Mission in obtaining the necessary articles-especially machinery and machine tools for Indian industries.

I would also refer here to the appointment of Sir Girja Shanker Bajpai as India's High Commissioner in the United States and the corresponding appointment of the United States Commissioner in India with the rank of a Minister. I hope that the appointment of Sir Girja Shanker Bajpai will also be helpful in securing Citizenship rights for Indians settled in the U. S. A. I may mention that since 1923, Indians have been debarred from acquiring citizenship in that country and have, therefore, been subject to disabilities of the Alien Land Laws which do not allow owning, leasing, or taking on rent of land by an alien. It is understood that a private Bill has been recently introduced in the United States Congress to enable those Indians who entered the country before July 1924, to become naturalised subjects. I trust the good offices of Sir Girja Shanker, will be helpful to Indians in acquiring their legitimate rights and status, in the United States.

It would not be out of place to refer here to the growing opportunity for Indian manufacturing industries to establish export markets. Numerous enquiries are being received from various neighbouring countries like the Straits Settlements, Ceylon, East Africa, Iran, Australia etc., for a number of articles manufactured in this country. Shortage of tonnage and the difficulties experienced sometime in getting export licenses, however, stand in the way of this opportunity being fully utilised. I may also refer in this connection to the statutory ban placed by the Government of India under the International Sugar Agreement on the export of sugar from this country. This Agreement was concluded in 1937 and the Government of India gave the undertaking above referred to, without consulting the sugar industry. Many of the signatory countries to this Agreement have, however, lost their independent status since then and the international conditions have also so markedly changed that the Agreement cannot be said to be binding any more. In any case, the undertaking given by the Government of India expires next year and I earnestly hope that they will not commit the industry for the future to such inequitable restriction like the present one under which, although Java may send sugar freely to our next-door neighbour like Ceylon, India is not permitted to do so.



Afghanistan also affords a good field for Indian goods at the present time on account of the imports in that country from Japan and the U. S. S. R. having been greatly reduced. I think that the Government of India may profitably move in the matter of concluding a trade agreement with Afghanistan at this juncture.

This brings me, gentlemen, to the question of a very important Agreement entered into by the Government of India last month—I mean the Indo-Burma Immigration Agreement. I do not think it is necessary for me to say how very iniquitous and humiliating the terms of this Agreement are. The Agreement has been almost universally condemned by Indian public and commercial opinion. Even Mahatma Gandhi has had to raise his voice of protest against this Agreement which, as he has rightly said, “breaks every canon of international propriety”. It is regrettable that notwithstanding repeated representations from the Indian commercial community, the Government of India did not take the Indian public into confidence at the time of concluding this Agreement and presented the country with almost a *fait accompli*. The terms of the Agreement are not only injurious to the rights and interests of Indian residents settled in Burma but are also derogatory to the self-respect of the country as a whole. The Government of India have gone even beyond the recommendations of the Baxter Commission in the matter of permitting discrimination against Indians. It is evident that under this Agreement, the position of Indians in Burma will be worse in many respects than in South Africa. The provision about registration is humiliating while that about the residential fee is, I may say, unprecedented and will prove a great burden on the poorer classes of Indians going to Burma. There are a number of other provisions also which are not only harsh but also vague and give undue discretionary powers to the Government of Burma. It is all the more regrettable that although Indian capital and labour have played such an important and useful part in the economic development of Burma, the Indian resident in Burma finds himself to-day occupying a status much inferior to other British subjects. The Agreement further goes contrary to the various promises and assurances given from time to time during and after the passage of the Government of Burma Bill in the British Parliament. The provision about previous sanction of the Government of India to any legislation on immigration question that Burma may choose to enact, was always meant to serve as a healthy check on any discrimination that may be sought to be made against Indians in Burma. It is singularly unfortunate, therefore, that the Government of India without consulting the Indian public gave their consent to become a party to the Agreement. Your Committee, as soon as they learnt about the Agreement, sent a telegram to the Government of India and also addressed a detailed communication to them protesting against the Agreement and urging that the same should be revised as early as possible and that meanwhile no

Order-in-Council may be passed by the Secretary of State giving effect to the same. Similar protests have been voiced all over the country against the humiliating terms of the Agreement and I trust the Government of India will soon take steps to revise it.

It has now been announced, gentlemen, that the Government of India are similarly sending a deputation to Ceylon to conduct negotiations for an Agreement with that country. Some time ago, your Committee had addressed the Government emphasising that the negotiations with Ceylon should not be rushed through as in the case of Burma. While we appreciate that non-officials have been included this time in the deputation to Ceylon, in view of the sad experience in the matter of the Agreement with Burma, it appears to be necessary to insist that the Government of India should not commit themselves to any terms without placing the same for ratification before the legislature and without giving the public ample opportunity to examine, and express their opinion on the terms before the Agreement is finally concluded.

An important measure which has largely affected the commercial community has been the promulgation of the Motor Spirit Rationing Order. It is regrettable that the Government promulgated such an important rationing Order without consulting public opinion. The rationing scheme as proposed is unduly harsh and its operation has already resulted in considerable inconvenience to the public and particularly to the business community. The basic rations fixed under the Rationing Order are extremely low particularly for a city like Calcutta where the distances between residential and business quarters and industrial centres are large. It is essential for business activity to be carried on normally that supplementary rations should be granted in a liberal manner. I would also like to point out here to the regrettable lack of foresight of the Government of India in not encouraging the development of the manufacture of power alcohol from molasses, a bye-product of the sugar industry which has largely to be thrown away as waste at present. The Indian sugar industry has been constantly urging on the Government, year after year, to grant licenses for such manufacture and also make it compulsory for petrol to be mixed with power alcohol upto a certain percentage as in some other countries. It is, indeed, a pity that the Government did not pay any attention to this legitimate demand for, if they had done so, the necessity for such a stringent rationing of spirit, as they have now imposed, would not have arisen. The possibility of the manufacture of Motor spirit from coal has also been proved beyond doubt by a sub-committee of the Board of Scientific and Industrial Research. Even now, it is not too late for the Government to take all possible steps to encourage the manufacture of substitutes of petrol in India. Your Committee had the advantage of discussing this question with the Hon'ble the Commerce Member and I hope that after the required stocks of petrol have been built up by the Government, the restriction will be relaxed to an appre-

ciable extent, and meanwhile all possible steps will be taken to expedite the manufacture of substitutes.

Another important matter which has been engaging the attention of your Committee for sometime past is the administration of the Income-tax Law in Calcutta. The Chamber had received numerous complaints about hardships to which Indian assesseees were subjected to on account of the manner in which assessments are made and re-made. I would like to emphasise here that while we have always offered and will continue to offer our co-operation in the proper administration of the Income-tax and Excess Profits Tax Acts so that the Government may be able to realise their just dues, we are entitled to expect of the Government that the law would be properly administered and that taxes are not realised by interpreting the law against the assessee or in an arbitrary manner. On the other hand, I would emphasise that fiscal statutes like the Income-tax Act and the Excess Profits Tax Act should be, as laid down by the Privy Council and the High Court, interpreted in favour of the assessee. I need hardly say, that this is a subject on which the commercial community feels very strongly and I trust that the hardships and the anomalies which your Committee, jointly with the Bengal National Chamber of Commerce, brought to the notice of the Income-tax authorities would be removed at an early date and that the income-tax law is administered according to the Statute.

Before concluding, I would refer to the recent changes in the Government of India. It is true that the inclusion of five additional non-official Indians in H. E. the Viceroy's Executive Council is bound to result in a certain amount of liberalization of the administration, although much would depend even in this matter upon the manner in which the Indian members are able to handle the situation. It must not, however, be overlooked that this expansion of the Central Cabinet does not end the political deadlock nor was it meant to do so. This was made clear at the time of the expansion both by the Government of India and also by the Secretary of State. Since then the British Prime Minister, Mr. Churchill has met Mr. Roosevelt, the President of the United States at a historic conference and a joint declaration was issued on behalf of the two great countries regarding their war aims and post-war policy. It is regrettable, gentlemen, that although Mr. Attlee, the Deputy Prime Minister of England tried to explain away the thing subsequently, this joint declaration made no mention about the status and constitutional future of India in the post-war period. It shows what insignificant place India occupies in the eyes of the British statesmen inspite of the enormous contribution which, on their own acknowledgment, this country is making in men, money and materials to the conduct of the War. I wish Britain would follow a more liberal policy towards India.

I have to thank you, gentlemen, for giving me a patient hearing, and for your presence here this afternoon.

*Presidential Speech of Sir Badridas Goenka, Kt., C. I. E.,  
President of the Chamber, delivered at the Third Quarterly  
General Meeting of the Chamber held on Thursday  
the 27th November, 1941, at 4-30 P.M. at the  
Premises of the Chamber.*

Gentlemen,

I am glad to have the opportunity of addressing you again this afternoon. These quarterly gatherings afford us an opportunity to review and take stock of the developments particularly relating to and affecting the commercial community. Such opportunities are especially welcome in times like the present when the situation is changing from day to day and we have all to carry on our work under conditions of great stress and strain, although this very fact makes the task of a review more difficult. The detailed Report of the Committee's work has already been circulated to you and I would not like to tire your patience by recounting the work which your Committee have done during the last quarter but would deal briefly with certain outstanding matters.

Although two complete years have elapsed since the war started in Europe, the end is nowhere yet in sight. On the contrary, all circumstances point towards its spreading further and continuing for a longer period. Apart from the actual armies and forces engaged in deadly combat against each other, this war has wide ramifications and has left no part of the world unaffected. It is one of those periodical upheavals which, whatever the immediate and the direct outcome of the actual combat, result in a fundamental reshaping of the structure of human society. I do not pretend to utter any generalisations about the progress or the outcome of the struggle but I sincerely feel that it is time everyone of us took this war seriously and worked for the restoration of Peace, order and goodwill.

I do not think it would serve any useful purpose for me to try to assess the effect of this war so far as our foreign trade is concerned. For, in such times when almost the entire exports and imports are directed, controlled and regulated according to the exigencies of the situation as it may develop from time to time, it is not possible to draw any conclusions of progress or otherwise from the trend of the country's foreign trade. Progress is, after all, a relative term and some improvement in one particular sphere or the other does not signify much when we visualise national economy as a whole. Soon after the war began, it became apparent that there were many vital gaps in India's industrial structure which, if not filled in time, might result, in the course of a prolonged war, in paralysing the country's industrial activity. There is no doubt that during the last two years India has made some progress so far as war supplies are concerned. Time and again we are reminded of the fact that out of the several thousand

articles required by the army, a large percentage is now being supplied from India. We are told that India now produces such articles as dried potatoes and golden syrup, pick axes and shovels, army boots and leather sandals, steel bodies for artillery tractors and towing attachments, various kinds of textile and engineering stores, navigation lights and anchors, spectacles and spirit lamps, buckles and buttons, munitions and hand-tools etc. Information is also released to the Press from time to time with regard to the progress which India has been making in the manufacture of medical stores, surgical instruments etc. The other day the Hon'ble the Commerce Member, while moving the Resolution in the Central Assembly regarding Industrial Research Fund, mentioned some of the industries which have been developed in India as a result of recent researches, *e.g.*, laminated paper boards, substitutes for glass, oil-silk and plastics from coffee seeds. While I appreciate the researches which are being carried on by the Board of Scientific and Industrial Research and while I realise that each small thing has its value, you will agree with me, gentlemen, that these developments, however important in themselves, hardly signify any industrial progress as such when we visualise the economy of the country as a whole. On the contrary, we find that, leaving aside past omissions, even in the last two years little has been done to promote the growth of vital and key industries in the country. For example, let me take the case of the transport industry. You all know the difficulty which the commercial community has been experiencing for some time past for want of adequate supplies of Railway rolling stock. There is no doubt that if such rolling stock could be manufactured within the country, which, it is understood, is not possible at present owing to the fact that certain essential parts for such manufacture have to be imported, not only the present difficulty would have been considerably lessened but India would perhaps have also been able to make even greater contribution to the needs of the Allied forces in the Middle East than what was referred to by the Hon'ble the Communications Member the other day in his speech at the Annual Meeting of the Indian Railway Conference Association. The same is the case with regard to the manufacture of locomotives. The question has been discussed so thoroughly in the past that I do not desire to say anything more. The other day the Bengal Telephone Corporation had to issue a warning to subscribers that as "practically the whole of the equipment and apparatus used in the telephone business has to be imported" and was not available in India, if the subscribers were not prudent enough to make a restricted use of the service, they might ultimately have to go without it. Almost the same thing might be said about essential chemicals for industrial purposes. While there is a dearth of white printing paper in the market, I understand that certain paper mills are unable to manufacture the same owing to want of sufficient supplies of bleaching powder and caustic soda. The match industry recently complained of shortage of chlorate of potash and amorphous phosphorous. Again, it is deplorable

that while petrol rationing has been rigorously enforced, large quantities of molasses from which power alcohol could be produced to replace petrol at least to the extent of 20%, if not more, have to be thrown away, largely as waste, and the opportunity for the manufacture of motor spirit from coal, of which India possesses fairly large quantities, is also not being utilised. You are aware of the difficulties which had to be encountered in the establishment of the aircraft and the shipbuilding industries in the country and which are still being experienced in connection with the starting of an automobile industry in spite of the fact that the production of aircraft and ships and tanks is perhaps the supreme need of the hour. It is thus clear, gentlemen, that the country is still considerably backward in the matter of industrialization.

I would now refer to another important question. Ever since the war began, India has been accumulating large sterling resources. It is not the time to go into the merits of this accumulation or into the question of its desirability or otherwise, but the fact remains that whereas at the beginning of the war the Reserve Bank held a total of less than Rs. 70 crores worth of such sterling, the present accumulation amounts to about Rs. 235 crores. The utilisation of these growing surplus sterling resources must be engaging the attention of the Government and it may not be out of place to draw their attention to some of the possibilities of utilising them for the benefit of the country. In the first place, the Government might purchase the remaining sterling capital of the railways and such other undertakings in India in respect of which high dividends are obtained by outside holders. In addition to giving the advantage of higher dividends to the State, such purchase would also enable the Government to exercise unfettered control over the entire Railway system. I may mention in this connection that the recent decision of the Government of India to purchase the B. & N. W. and the R. K. Railways would undoubtedly receive general approval. Another profitable outlet for the utilisation of the surplus sterling would be the purchase and bodily transfer to India of such industrial plant and machinery from Great Britain which might probably be lying idle there and which might help in augmenting India's war effort.

I had made a reference during the course of my speech at the last Quarterly Meeting to certain hardships which Indian assesseees were subjected to on account of the manner in which the administration of Income-tax and Excess Profits Tax laws was carried on in Calcutta. It is regrettable, gentlemen, that matters, instead of improving, have since worsened. The widespread alarm universally prevailing among all sections of the Indian mercantile community was given expression to recently when the various commercial and trade organisations in Calcutta combined to make a joint protest to the Government of India on this question. An impression is created in certain circles that this agitation has been inspired in the interests of a particular individual

but the combined protest above referred to should be sufficient to dispel such an impression. The fact is that the present alarm is based on certain events and happenings of the last one year, and it would be unfortunate if the Government did not take early steps to remove the anxiety and apprehension in the public mind only on the basis of the erroneous impression above referred to.

While taxation was already extremely heavy, it is distressing to find that there has recently been evidence of a growing spirit of high-handedness and arbitrariness among the officers of the Income-tax Department. There is also a growing feeling among the Indian commercial community that they are being discriminated against *vis-a-vis* the European commercial community. It may be said that there is no real ground about this racial discrimination but the facts provide enough material for such a belief. The creation of the Central Department in Calcutta was followed by the transfer to it of hundreds of files of Indian assesseees only, although it is well-known that in Calcutta greater volume of business is controlled by British firms than by Indian firms. This transfer of files stigmatised and humiliated the name of honest Indian business houses. It is said that the files of British firms have not come up for scrutiny because such firms always submit audited accounts. No excuse could have been more specious. It is an almost everyday experience that while the audited accounts of European firms are accepted as correct, similar audited accounts submitted by Indian firms are subjected to searching enquiries and examination.

Moreover, in all cases, whether accounts are audited or not, Indian assesseees are subjected to the harassment of having to dance attendance at the office of the Income-tax Officer the whole day, and from day to day, with their Books of account etc. Their entries are not accepted as correct, explanations of entries are not accepted, inferences are drawn from suspicion and imagination, adverse inferences are drawn from non-production of Books which do not exist, actual payments are treated as fictitious, borrowed monies and capital are sought to be treated as income, loans given are questioned, production of persons to whom payments have been made is insisted upon, ladies who have submitted verified returns of income are asked to submit affidavits affirmed before Magistrates and similar other unjust and harassing methods are employed, list of which would be too long to be given here. Even where assessments were made years ago, books of account are again asked to be produced and assesseees are asked to support entries by the production of vouchers.

The most regrettable feature, however, is that the above treatment is extended only to Indian assesseees. So far as European assesseees are concerned, a very different atmosphere prevails. They are treated with due respect, their veracity is accepted without question and they are held in great awe by the Income-tax Officers in the belief that they have an approach to the higher authorities and that they can get redress from above,

There are various other points with regard to the administration of the Income-tax law in which such racial discrimination is perceivable. I do not wish to enter into further details here particularly as your Committee, in conjunction with other Chambers of Commerce and Organisations is dealing with the matter. They will be shortly meeting Mr. J. F. Sheehy, Member, Central Board of Revenue in-charge of Income-tax Administration, during his coming visit to Calcutta. It is regrettable that at a time when co-operation between the Government and the public is essential, there should be such circumstances as these to create a feeling of bitterness between them. I earnestly hope that the Government would give most careful and immediate consideration to the above points which, I am sure, would be placed before Mr. Sheehy during his forthcoming visit to this City.

I had also occasion to refer in my last Quarterly speech to the "iniquitous and humiliating terms of the Indo-Burma Immigration Agreement" which had been hurriedly concluded just then Sir Girja Shankar Bajpai and which came as a surprise to the entire Indian public. This Agreement came up for discussion in the Central Legislature early this month when the Assembly passed a Resolution recommending to the Governor-General to request the Secretary of State not to implement the Agreement "unless and until satisfactory modifications are secured which will carry out to the full the Parliamentary assurances given with regard to the status of Indians in Burma and their right of entry into Burma after separation from India, and remove such provisions as are discriminatory and humiliating to the people of India". The Resolution rightly stresses that not only should the discriminatory and humiliating provisions of the Agreement be removed but—and what is more important—that the assurances given in Parliament with regard to the status of Indians in Burma and their right of entry into that country should also be fulfilled. It must be clearly understood that it is not for the revision of the terms of the Agreement relating to one detail or the other that the Indian public is anxious. The Agreement as it stands strikes at the fundamental right of Indians with regard to their entry and status in Burma, and it is this which must be remedied before any Agreement can be acceptable to Indian public opinion. The Parliamentary assurances referred to in the Resolution passed by the Assembly specifically mention that the British Parliament and His Majesty's Government had no intention to impose any restriction on the entry of Indians into Burma, except on unskilled labour, and I trust that there would be no attempt to mis-interpret or belittle this fundamental issue. Let us hope that the Government will withdraw their assent to the Agreement and start negotiations *de novo* for its thorough revision. We also hope that this time no attempt will be made to conclude a hurried and secretive pact as on the last occasion. On this fundamental issue affecting the rights of a large number of Indians either resident in Burma or having trade relations with that country, it is imperative that the Indian public is taken into



full confidence and non-official opinion representing Indians in India is associated with the negotiations. I would also like to make a suggestion with regard to the choice of non-official advisers. It is desirable that the non-official advisers should be selected by a representative commercial organisation like the Federation of Indian Chambers of Commerce and Industry and not nominated by the Government; for, in that case, they would be able to put forward representative Indian opinion of the interests directly concerned. It is also essential that the revised Agreement, as in the case of Ceylon, should be placed before the Assembly for final acceptance.

The Joint Report of the Indo-Ceylonese Delegations who carried on negotiations for an Agreement between the two countries, was placed recently before both the Houses of the Central Legislature for discussion. Although the procedure adopted by the Government of India was more satisfactory in this case, there are certain provisions in the Report, particularly those relating to the right of entry and re-entry of Indians into Ceylon and their citizenship rights, which are not only extremely complicated but are also unnecessary and harassing. I am, however, glad to note that the Hon'ble Mr. M. S. Aney, Overseas Member, has given an assurance that the Government of India "would make an attempt to stand steadfastly by the essential principle, namely, that the interests of Indians should be duly safeguarded and that the honour of India should not be impaired by anything done in Ceylon". I trust that both in the matter of the Indo-Burma Immigration Agreement and the Indo-Ceylonese Agreement, the Government of India will stand by their assurances.

Before I conclude, I should like to refer to one more matter, namely, the Burma Rice Control Scheme, which your Committee had occasion recently to discuss. The announcement of the scheme and the appointment of a Rice Controller by the Government of Burma in September last, coming so shortly after the conclusion of the Indo-Burma Trade Agreement, took the Indian commercial community in this country as well as in Burma completely by surprise and caused them considerable alarm. Briefly put, the Government of Burma have decided to control the export of next year's rice crop by themselves becoming the sole exporters. The professed policy seems to be to secure economic prices for the agriculturist but I cannot understand how the Rice Controller will be able to implement it by buying all rice intended for export. I am not aware of any country which has evolved a scheme whereby the Government buys such commodities as rice at the lowest price and sells it at the highest. It is understood that the Burma Government have revised their original rice control scheme and have put forward a new one in its place, but the objectionable features of the former are still retained to a large extent.

It is apprehended that as a result of the adoption of this scheme the Indian exporting houses in Rangoon which handle nearly 97 percent of the rice exported from Burma to India and

Ceylon and whose total exports of rice form nearly 60% to 65% of the total exportable surplus of Burma to all countries of the world, will be completely at the mercy of Burma's Rice Controller. It is only natural, therefore, that Indians in this country as well as in Burma interested in the rice export trade have felt extremely alarmed by the scheme which the Burma Government are going to put in operation. The Rice Merchants' Associations of India, Burma and Ceylon have done everything that lay in their power to impress upon the Governments of India and Burma their viewpoints and I hope the Government of India will resist any move on the part of the Burma Government which might jeopardise the interests of our nationals in Burma.

With these remarks, gentlemen, I move the adoption of the Third Quarterly Report of the work done by the Committee of the Chamber.

Thank you, gentlemen.

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## **APPENDICES.**

- I. Presidential Address delivered by Sir Badridas Goenka, Kt., C. I. E., at the Sixteenth Annual General Meeting of the Chamber.**
- II. A Joint Memorandum submitted to Mr. J. F. Sheehy, Member, Central Board of Revenue and Mr. C. W. Ayres, Excess Profits Tax Adviser to the Government of India.**
- III. Chamber's Representation to the Government of India on the present problems of Commerce and Industry in India and on questions relating to Post War Reconstruction.**



## **Appendix I.**

- I. Presidential Address delivered by Sir Badridas Goenka, Kt., C.I.E., at the Sixteenth Annual General Meeting of the Chamber.**



**Presidential Address delivered by Sir Badridas Goenka, Kt.,  
C.I.E., President, Indian Chamber of Commerce, Calcutta,  
at the Sixteenth Annual General Meeting of  
the Chamber held on Friday, the  
27th February, 1942,  
at 4-30 p.m.**

GENTLEMEN,

My period of office as President of the Chamber has come to a close and we are gathered here once more to take stock of our work during the year that is over and to elect the new Committee and Office-bearers who will be charged with the responsibility of continuing the work during the coming year. I extend to you all, members as well as guests who have kindly responded to our invitation, a very cordial welcome to this meeting. Before I present the Annual Report and the Accounts to you, however, I would like to make a few remarks on some of the outstanding questions of the moment.

Gentlemen, We meet today under very abnormal conditions. The events that have occurred in rapid succession since I addressed the members of the Chamber in November last have brought the war to the very threshold of our country. The declaration of War by Japan, its sudden attack on important bases and territories of the Allied countries in the Far East including Burma, the loss of Malaya and the fall of Singapore are events which are bound to cause us grave concern and anxiety. While the war which has now spread to almost all parts of the Globe may be prolonged, the immediate reaction in this country to the happenings of the past few months has been a growing sense of insecurity and uncertainty among the people, as a result of the initial successes of Japan. The public has begun to feel anxious about the apparent inertia of the Government of India in the face of this serious danger. It is feared that before adequate measures to cope with the gravity of the situation are adopted, the position may become still more serious. While, on the one hand, the representatives of the public have not been taken into confidence about the plans of the Government of India to meet the situation, no tangible signs of adequate defence preparations are visible in



the country on the other. Such a state of affairs is naturally giving rise to a feeling of helplessness among the people and consequently to lack of enthusiasm on their part even in matters of civil defence. I think the sooner the authorities realise it and try to remedy the situation, the better it would be for all concerned.

Gentlemen, as you are aware, there has been criticism here and abroad as also in Parliament, about the failure of the Government of India to utilise the vast resources of this country, and this, notwithstanding the assurance of Mr. Amery, that India was "in a very real sense today the main arsenal of both the Middle Eastern and the Far Eastern theatres of war". It has been pointed out that India is "blessed with vast resources in man power, raw materials and potential manufacturing capacity" and if these were properly utilised, India would prove a strong bastion of the Empire in the East. Rather inspite of such vast resources being available and despite British Rule functioning for about two centuries in the country, India is pathetically dependent, at this time of her danger, not only for her essential war requirements, but also for some of her civil supplies for direct essential consumption as well as for industrial purposes, upon foreign countries. Gentlemen, time and again, we have emphasised the necessity of the Government of India realising the importance of developing essential industries in the country not only to make the country self-sufficient as regards her vital industrial needs but also in order to render the industrial front of the Empire more secure against such wanton aggression as we have witnessed in the Far East. This is not the time, however, to indulge in recriminations for past mistakes. The course of events in the world to day is too rapid to permit idle discussion of what might have been. But let the Government of India even now abandon their vacillation and assist wholeheartedly in the development of industries, for, it is never too late to begin. It must be recognised that modern wars are won not so much on the battle grounds as in the factories of nations.

There has been a growing feeling among the Indian mercantile community that India's industrial development has been handicapped and retarded by the opposition of Britain's vested

interests and impeded by an unimaginative bureaucratic administration in the country. It is really the consideration of post-war British exports which has stood in the way of large-scale industrialisation in India even during this war crisis. The "Shipping World", a leading British Weekly, for instance, referred to the new shipbuilding enterprise of the Scindia Steam Navigation Co., as a "menace to the ship-building industry of England." The refusal of the Government of India to treat the scheme for the establishment of an automobile industry in the country as a war effort is well-known. Indeed, what petty considerations have stood in the way of the establishment of an automobile industry under Indian auspices, would be evident from the fact that the Defence Department of the Government of India refused to entertain the proposal which, according to them, involved the introduction of a "new type of vehicle" for army use because it was difficult for the "Army's Store Department to carry spare parts". Another contention put forth on behalf of the Government of India for turning down the proposal was that it would divert skilled labour from war effort. Will not the automobile assembling plant recently started under non-Indian auspices in Sind, however, require skilled Indian labour? Instances have also come to the notice of your Committee in which, although facility was not given to reputed Indian firms for obtaining machinery for the setting up of certain essential factories, permission was given to non-Indian firms to extend their plant.

It is, indeed, disappointing that even in the midst of a "total" war, British industrial interests should hamper the establishment and development of industries in other parts of the British Commonwealth for fear of losing the export markets for their goods in the post-war world. You are all aware, gentlemen, of the Mission which visited India in 1940 on behalf of the British Ministry of Supply under the Chairmanship of Sir Alexander Roger in order to stimulate and co-ordinate war supply effort in countries East of Suez. Although Sir Alexander Roger's tour did stimulate considerable interest in war production and the Roger Mission is said to have "left behind valuable recommendations embodying long-range plans which would have made India self-sufficient in war industries", the attitude of

British Industrialists, even at that stage of the war, would be clear from the views said to have been expressed on his return to England by Mr. Guy Locoock who accompanied the Mission on behalf of the Federation of British Industries. While conveying an assurance to British Industry about the future effects on Britain's exports of the expanding war production in Empire countries, Mr. Locoock is reported to have stated that "no steps have been taken to expand production as a result of the Mission's visit which are not essential for war purposes and on the whole post-war interests of British Industries are not likely to suffer so greatly as was at one time expected". Gentlemen, it is this short-sighted policy of distrust and selfishness which has stood in the way of the development of the vast and potential resources of India. Such a policy has got to be given up once for all not only in the interests of India but also of the Empire.

I would now refer to the question of foodstuffs which is causing grave concern all over the country. The large war demands for foodstuffs, difficulties in importing food commodities from countries like Burma and Australia, transport difficulties impeding the movement of goods, price control measures particularly those adopted by some of the Provincial Governments and regrettable occurrences like the traders' hartal in the Punjab have all combined in causing a severe scarcity of foodstuffs in some parts of the country. In Bengal, for instance, supplies of essential foodstuffs like Wheat and Rice have been considerably depleted and if immediate measures are not adopted to remedy the position, it will soon be difficult to obtain these commodities in this Province. I understand that even in upcountry centres and in the mofussil, it is becoming difficult to obtain foodstuffs. In fact, even in normal times, India never was in a position to export essential foodstuffs in any appreciable quantities. As regards wheat, the annual output has only been sufficient for the ordinary civil requirements of the country, and so far as rice is concerned, we have had to import every year considerable quantities from Burma and Siam etc. The question of providing a supply of adequate foodstuffs for the population in the present emergency, therefore, requires very careful consideration of the Governments, both Central and Provincial, and let us hope that

they will not allow the situation to deteriorate any further. The consequences of a food-famine may indeed be disastrous and it is essential that immediate measures should be devised to prevent such a thing from happening. Fortunately, so far as food crops are concerned, particularly wheat, we are nearing the end of the current season and if the Government give proper attention to the matter and proceed on the basis of a well-thought out plan, it is still possible to overcome the difficulties with the advent of the new crop.

The question of the scarcity of foodstuffs is also related to the question of price control. This is a subject which vitally affects not only the mercantile community but also the entire population. The abnormal conditions created by the war, no doubt, make it necessary for some control measures to be adopted in order that the necessities of life are available to the public without any undue difficulty and at reasonable prices. The Government of India during the course of the last two and a half years have held four Price Control Conferences, the last one being held only early this month but it is regrettable that they did not take the trading interests into their confidence and that the measures so far adopted by the Central and the Provincial Governments have been rather haphazard and characterised by lack of co-ordination. The result is that the steps which the Government have so far taken have largely defeated their own purpose, while causing at the same time considerable hardship to and dislocation of trade. It has been observed that there is a tendency for measures of price control being followed by scarcity of the article concerned. This tendency is mostly due to the fact that the maximum prices fixed bear no relation to replacement costs, resulting in a shortage of supplies which again tends to increase the prices thus bringing into existence a vicious circle. Instead of going into the causes of this state of affairs and taking the interests concerned into confidence, the authorities, however, resort to indiscriminate magisterial and police action which only tends to scare away trade further. Such haphazard action leads to a collapse of the machinery of distribution and aggravates the very trouble which it seeks to put an end to. While your Committee have definitely expressed themselves

opposed to hoarding or profiteering by merchants, they have suggested to the Government that if price control measures are to succeed, the maximum prices fixed by the Government should bear proper relation to replacement costs and, what is more important, Government should be prepared to sell the article concerned at those rates. The machinery of the trade should and could be utilised for this purpose. In any case, it is imperative that Government should take the trading interests into confidence in formulating their policy of price control and in making suitable arrangements for the supply of essential articles of consumption to the civil population.

Gentlemen, I have referred above to the question of transport difficulties. It is, indeed, unfortunate that in a vast country like India where the existence of efficient transport facilities is a vital part not only of national economy but of national life itself, we find ourselves faced to-day, even after the experience of the last Great War, with a situation in which the transport of goods and passengers is daily becoming more difficult. Adequate transport facilities are necessary not only for the movement of food supplies from one part of the country to another, as I have referred before, but also for maintaining industrial production at its optimum level. There has, however, been a general complaint, which is assuming serious proportions of late, about transport of coal which is one of the most essential items for keeping industries running. Difficulties are also being experienced in the movement of other raw materials and also finished products as a result of shortage of wagons. I feel, gentlemen, that even with the available resources in railway stock, the position could be considerably improved and I trust that the Central Transport Authority, which has recently been set up would give its immediate attention to this problem.

I may also mention in this connection the deplorable state of affairs which obtained as regards railway arrangements, particularly at the Howrah Station, in December last when a large number of people wanted to leave Calcutta consequent on the declaration of war by Japan. I regret to have to say that the railways sadly failed to meet the emergency and passengers desiring to leave Calcutta for safer places were put to considerable hardship and suffering. The Railway administration

at Howrah even refused offers of co-operation and assistance from non-official volunteer organisations. I may mention that such voluntary help proved very useful and successful at the Delhi station. The railways are essentially a public service organisation and it is desirable that the administration should, in times of such emergency and difficulty, help the public to the utmost of their capacity and not leave things to drift. Although the Government of Bengal, it is understood, have in readiness a scheme for organised evacuation from the city should such necessity arise, and while it is desirable that those who have work should remain in the city, it is also essential that all possible facilities should be extended to persons voluntarily leaving the city even before an emergency occurs. It is not right to suggest that if such facilities are provided, most of the people would leave the city and thereby cause dislocation to normal life. On the contrary, the knowledge of the existence of adequate facilities for leaving the danger zone when the necessity occurs and of the existence of proper arrangements for food supplies etc. brings about a sense of security in the minds of the public. It is only the absence of such facilities and arrangements which leads to panic.

Gentlemen, as I mentioned in my speech at the last Quarterly General Meeting of the Chamber in November, the question of Indo-Burma Immigration Agreement and the Rice Control Scheme which the Government of Burma desired to adopt were then engaging the attention of your Committee. The declaration of war by Japan, however, brought the question of Indians resident in Burma, Malaya and Singapore to the forefront. Your Committee had occasion to address several telegrams and letters to the Government of India urging that all facilities should be given to Indians settled in these parts, especially Indian women and children, to return to this country and, in case of those who remained, first-hand information should be made available in India about their condition. I regret, however, to say that complaints continue to be received by the Chamber not only of discrimination against Indians—even Indian women and children—in the allocation of passages but also of other great hardships inflicted upon them. It is, indeed, regrettable that inspite of the

presence of the Government of India's Agent in Burma, Indians desiring to leave Burma should have been subjected to this untold hardship and inconvenience. The Committee have repeatedly brought the sufferings of these persons to the notice of the Government of India strongly urging them to see that all necessary facilities such as free opening of the land routes from Burma to India, provision of necessary amenities on the way, arranging of more steamers from Burma and allocation of passages on the same on quota basis according to population, are extended. Your Committee had also a discussion on the question personally with the Hon'ble Mr. Aney, Member for Indians Overseas. I may also mention in this connection that since the evacuee-ship "Anhui" came from Japan, with Indian nationals, the Chamber has been making arrangements for receiving Indian evacuees and refugees and rendering them such assistance as is possible. The work done by the Chamber in this connection, I am glad to say, was highly appreciated by the Government as well as by the evacuees. Recently, the Government of Bengal have appointed a Special Refugee Reception Committee, who are now charged with the responsibility of looking after the necessities and comforts of the evacuees.

Before I resume my seat, I would like to say a few words with regard to the work of the Chamber. I am glad to record that the Chamber continues to progress and to grow in importance and influence. During the year under review, the membership of the Chamber has increased from 228 to 255 and five more trade organisations have affiliated themselves to the Chamber viz., the Indian Paint Manufacturers' Association, the Indian Hemp Association, Calcutta Hessian Exchange, Calcutta Metal Merchants' Association and the Indian Tea Brokers' Association. The Calcutta Tea Merchants' Association which was previously affiliated to the Chamber has now shifted its office also to the Chamber. As far as the volume of work is concerned, members will perceive from the Report already circulated, that the activities of the Chamber have been steadily increasing.

It is only in the fitness of things that with its growing importance, the question of the Chamber having a building of its own should come to the forefront. The idea, I may say,

originated with Mr. B. M. Birla when he was President of the Chamber in 1936. As a matter of fact, a company was formed for the purpose in that year but unfortunately, much progress could not be made at that time. However, with the active interest and co-operation of Mr. B. M. Birla and other friends we have again been able to make substantial progress in the matter. Although it might perhaps appear to be out of place under the present uncertain circumstances to talk about building a new premises for the Chamber, yet even in times of crisis, we cannot ignore day-to-day matters. The collection of funds for this purpose has already made substantial progress, and a suitable site has also been selected for the purpose. I appeal to members to contribute generously in raising an edifice for the Chamber worthy of its name, reputation and importance.

Gentlemen, as I have mentioned before, war is at the very threshold of our country. We are meeting under the shadow of a grave crisis. Critical times lie ahead and we have got to think of precautionary measures against possible enemy air-attacks. Your Committee have been anxiously considering this question and the question of what assistance they can render to those who may suffer from Air Raids. The Chamber has recently started an Emergency Relief Committee. It will undertake in a specified area, where generally the activities of the Indian commercial community are confined, the opening of First Aid Posts and Food Centres and will carry on necessary propaganda about precautionary measures. Some members have been good enough to contribute towards the funds being raised by the Relief Committee and I take this opportunity of thanking them on behalf of the Chamber.

Before I conclude, I would like to take this opportunity of publicly expressing my gratitude to my colleagues on the Committee. When I agreed last year to undertake the responsibilities of Presidentship, I did so with a certain amount of hesitation. I must say, however, that the active interest which the members of the Committee took in the work of the Chamber and the help and co-operation which they readily and wholeheartedly extended to me, made my task considerably lighter. They are a body of devoted and selfless workers of whom any



institution would be proud. Your incoming President, Mr. Nopany, has the advantage of being much younger in years to myself. Mr. Nopany has been known to you as your Vice-President and Senior Vice-President during the last three years. Though young in years, he is ripe in experience and I am perfectly confident that he will shoulder the increasing responsibilities of the Presidential Office with dignity and in keeping with the traditions of the Chamber. I would also like to thank our able Secretary Mr. Dhadda and the Assistant Secretaries and the staff for the very efficient manner in which they have carried out their duties. They have readily and at all times given of their best in the work of the Chamber in a most ungrudging manner.

With these words, Gentlemen, I beg to move the adoption of the Report and the Statement of Accounts which has been duly audited.

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## **Appendix II.**

- II. A Joint Memorandum submitted to Mr. J. F. Sheehy, Member, Central Board of Revenue and Mr. C. W. Ayres, Excess Profits Tax Adviser to the Government of India.**



*Joint Memorandum submitted on behalf of The Bengal National Chamber of Commerce, The Indian Chamber of Commerce, Calcutta, The Muslim Chamber of Commerce, The Marwari Chamber of Commerce, and The Marwari Association to Mr. J. F. Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayres, C.I.E., Excess Profits Tax Adviser, at a Joint Meeting held on Tuesday the 9th December, 1941 at 4 P.M. at the premises of the Indian Chamber of Commerce, Calcutta.*

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MR. SHEEHY AND MR. AYRES,

It affords me great pleasure to welcome you to this Meeting on behalf of myself and the various organisations whose representatives have gathered here to-day. This joint meeting of the Bengal National, the Indian, the Muslim and the Marwari Chambers and the Marwari Association has been organised both in response to the suggestion which was passed on to us by Mr. Mullan that it would probably be more convenient for all concerned if such a joint meeting could be arranged to meet you and more particularly because of the fact that the difficulties which we intend to put forward before you today are generally experienced by all sections of the Indian mercantile community.

2. In June last, when Mr. Mullan and Mr. Dandekar met the representatives of the Bengal National and the Indian Chambers of Commerce at your instance, their attention was invited to the widespread alarm prevailing among all sections of the Indian mercantile community at the manner in which the administration of Income-tax and Excess Profits Tax Laws was being carried on in Calcutta. Subsequent to that meeting, representations were also made by individual Chambers of Commerce followed early this month by a joint protest and representation on behalf of various Indian commercial and trade organisations in Calcutta on this question. It is obvious that this protest was an expression of the wide-spread and genuine discontent based on the real grievances of all sections of the Indian commercial community. We regret, however, that so far the

grievances of the Indian commercial community have unfortunately not been redressed and matters have only worsened instead of improving.

3. While taxation was already extremely heavy, there has been evidence of a growing spirit of high-handedness and arbitrariness among the officers of the Income-tax Department. It is clear from the attitude of the officers for some time past that they have to collect during the year a certain amount according to a 'budget' determined even before the returns are submitted. This fact coupled with the arbitrary methods which the income-tax authorities have been adopting in an endeavour to collect heavy taxes from Indian assesseees, has naturally resulted in creating a sort of panic among the Indian mercantile community. In addition to this, however, a feeling of resentment has also been created in the minds of the Indian businessmen when they find that discrimination is being exercised against them to an extent never witnessed before. The following facts provide sufficient basis for such a belief as also prove the harassment to which Indian assesseees are subjected :—

(a) Although it is well known that in Calcutta a greater volume of business is controlled by British firms than by Indian firms, the creation of the Central Department in Calcutta was followed by a transfer to it of hundreds of files of Indian assesseees only to the exclusion of the files of the British assesseees. This transfer of files naturally placed a stigma on the name of and caused humiliation to Indian business houses. It is said that no humiliation was intended but such a statement cannot be supported by actual facts. When the Income-tax Amendment Bill was being discussed in the Legislative Assembly, Sir James Grigg, declared on the floor of the House that the Central Commissioners would deal with only three classes of cases namely :—

- (i) penalty cases to preserve uniformity therein;
- (ii) insurance cases, and
- (iii) cases involving fraud.

It is well known that the Indian cases that have been transferred to the Central Commissioner do not come under either of the first two categories. Naturally, therefore, there is no escape from the conclusion in the public mind that all the cases that have been transferred to the Central Commissioner must be cases of fraud, or at least of suspected fraud. It may be pointed out that the cases which have been so transferred include the cases of well-known Indian houses which have not only been always above suspicion but have also offered the largest amount of co-operation to the income-tax authorities.

(b) It is said that the files of British firms have not come up for scrutiny because such firms always submit audited accounts. But no excuse could have been more specious. For, it is a matter of almost daily experience that while audited accounts of European firms are being accepted as correct, similar audited accounts submitted by Indian firms are subjected to searching enquiries and examination. Indeed, this in itself is one of the most glaring examples of racial discrimination. In spite of the submission of audited accounts, Books of Accounts and vouchers of Indian assesseees are called for and re-examined more than once, even as regards minor details. There have been instances where in assessment cases dealing with lakhs of rupees, minor expenses amounting to a few rupees only were questioned and vouchers called for in spite of audited accounts having been submitted.

(c) Some time ago, circular letters were sent to very respectable members of the Indian mercantile community as also to respectable Indian ladies enquiring whether they were *members* of certain Futka Markets. For obvious reasons, this enquiry, which was not addressed to any of the European assesseees, was taken as very insulting and strongly resented by the mercantile community. After protests were made, this circular was withdrawn in a number of cases.

(d) Recently, another circular has been issued calling upon respectable Indian assesseees including ladies, to submit on solemn declaration a list of all their assets with the dates and prices of the acquisition of each item. Needless to say, no such demand has been made of any European assessee. It is ascertained on the best legal opinion available in the country that such enquiry on the part of the Income-tax Department is not authorised by Law. But legality apart, it is physically impossible for anyone to give a list of all his assets (which would include not only income-yielding assets, but also articles like jewellery, cash bullion, furniture, pictures, contents of wardrobe, etc.) and prove the dates and prices of the acquisition of each item. It might be argued that the income-tax authorities are not interested in asking for lists of such assets as jewellery, furniture etc. But, then a long list will have to be prepared of exemptions and thus, even from the point of view of the Income-tax Department, such a query, by its very nature, would reduce itself to an absurdity. The obvious intention, however, appears to be, if the list is not supplied to make arbitrary assessments and, if the list is supplied, to treat almost the whole of the value as taxable in respect of all those items regarding which conclusive evidence cannot be given of the dates and prices of acquisition. And, *ipso facto* such evidence cannot be given.

(e) In all cases, whether accounts are audited or not, the Indian assesseees are subjected to the harassment of having to attend (in some cases for months together) at the office of the Income-tax Officer the whole day, and from day to day, with their Books of Accounts etc. Their entries are not accepted as correct, explanations of entries are not accepted, inferences are drawn from suspicion and imagination, adverse inferences are drawn from non-production of Books which do not exist, actual payments are treated as fictitious, borrowed monies and capital are sought to be treated as income, loans given are questioned,

production of persons to whom payments have been made is insisted upon, ladies who have submitted verified returns of income are asked to submit affidavits affirmed before Magistrates and similar other unjust and harassing methods are employed, an exhaustive list of which would be too long to be given here. Even where assessments were made years ago, Books of Accounts are again required to be produced and assesseees are asked to support entries by the production of vouchers.

- (f) Income-tax assessments in many cases are pending for a considerable time thus causing considerable inconvenience and hardship to the assesseees. In some cases, assessments have not been completed for the last three years although Books have been examined over and over again and by one officer after the other. Similarly, appeals preferred to the Assistant Appellate Commissioners are not disposed of for a long time. In some cases, appeals preferred more than two years ago have not yet been disposed of in spite of reminders. Meanwhile, the assesseees are being compelled to make payments of the amounts assessed by the officers and time is not allowed till the disposal of the appeals even in cases where the amounts of taxes are large.
- (g) Assesseees are being asked to submit E. P. T. returns for all the chargeable accounting periods even though relative Income-tax assessments have not been completed and, in some cases, even where income-tax assessments for one of the available standard period years is also pending.
- (h) Although the Income-tax Act specifically provides that income shall be computed in accordance with the methods of accounting regularly employed by the assessee, the income-tax officers argue that the accounts should have been kept in a different manner, which probably is more intelligible to them.

4. To add to the above-mentioned discrimination and oppressive methods, an unduly heavy amount of tax is also



sought to be realised from Indian assesseees by various means,  
e.g. :—

- (a) Discontinuance of registration of firms, which have for years been registered under the Income-tax Act.
- (b) Joining together the incomes of persons who have actually been separated under the Hindu Law and even though the separation has been accepted for years by the Income-tax authorities.
- (c) Treating joint family income as separate when such decision enables the income-tax officer to realise more tax.

5. Such treatment as has been mentioned—and instances like the above could further be multiplied—is extended only to Indian assesseees. So far as European assesseees are concerned, a very different atmosphere prevails. They are treated with due respect, their veracity is accepted without question and they are held in great awe by the Income-tax Officers in the belief that they have an approach to the highest authorities and that they can get redress from above. The reverse, however, is the case in regard to the Indian assesseees. And, the impression of the officers being that their promotion and prospects depend on the amount of tax they collect, the Indian assesseees have to suffer the various hardships recounted above.

We would also like to invite your attention to certain other points connected with the administration of the Income-tax Act :—

- (a) It has become a matter of common observation that the judgment of the Income-tax Officer finds no place in the present scheme of administration and, especially in the Central Department, assessment is controlled from above although the Law does not allow it. This matter was represented in detail when in June last Mr. Mullan and Mr. Dandekar, met the representatives of the Bengal National and the Indian Chambers. The Income-tax Officers are subjected to directions not only by the Inspecting

Assistant Commissioners and the Commissioners but also by the Central Board of Revenue and even the Inspecting Assistant Commissioners are so directed by the latter. The function of the Central Board of Revenue should be to guide the Inspecting Assistant Commissioners and the Income-tax Officers on matters of general policy and not to give directions about the passing of specific orders on matters which have been discussed by the Income-tax Officer with the assessee or his representative. The Act does not contemplate that the hands of the I. T. O. should be tied down in individual cases by the higher authorities. Contrary to this, however, some times even assessment orders are written out or dictated by the higher authorities. This state of affairs must be remedied without any further delay.

- (b) Public confidence in the safeguard of appeals has also been considerably shaken. The Appellate Assistant Commissioners are junior officers, who have to look to the higher authorities for their promotion and prospects and the actions of the Appellate Assistant Commissioners are under the strict vigilance of the Inspecting Assistant Commissioners and even of the Central Board of Revenue. The appointments of the Members of the Appellate Tribunal are also made under conditions which are not conducive to independence of judgment. In fact, the whole system of appeal needs a thorough overhauling.

7. It would appear from the above facts that the resentment created in the minds of the Indian commercial community against the income-tax methods is sufficiently justified. As a matter of fact, the atmosphere has been vitiated and the adoption of any half-hearted measures like the sending of a few European files into the Central Department would not alter the situation. It is the fundamental which always matters and we, therefore, trust that in addition to adopting the following suggestions, an attempt would be made to bring about a thorough change in the outlook of the Income-tax authorities towards the Indian assesseees. The following measures are suggested for immediate

adoption with a view to expediting redress of the grievances of the assesseees:—

- (a) All cases of companies and respectable people should be sent back from the Central Department with instructions that they should be dealt with in the General District in exactly the same manner as the cases of Europeans.
- (b) Audited accounts should be treated with the utmost respect and assesseees should not be harassed by calling for Books of Accounts etc., and such explanations only as may be necessary for the assessment of income may be asked.
- (c) No arbitrary action should be taken about the registration of firms or about the separation or jointness of families.
- (d) The circulars calling for the submission of statements of Total Wealth should be withdrawn.
- (e) Appellate authorities should have complete independence and should enjoy the confidence of the public.

8. In fact, the present time seems to be most inopportune for the creation of a special Department like the Central, specially having regard to the unfavourable impression that it has already created and to the necessity of the existence of improved relations between the Government and the public. The commercial community earnestly hope that the points raised above will receive early consideration of the Central Board of Revenue, and their grievances would be removed without further delay.

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## **Appendix III.**

**III. Chamber's Representation to the Government of India on the present problems of Commerce and Industry in India and on questions relating to Post War Reconstruction.**



## INDIAN CHAMBER OF COMMERCE, CALCUTTA.

To  
The Secretary to the Government of India,  
Department of Commerce.  
NEW DELHI.

Dear Sir,

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the speech delivered by the Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member, during the general discussion on the Finance Bill in the Legislative Assembly on the 17th March, 1941. In the course of his comprehensive speech, the Hon'ble the Commerce Member dealt not only with the present problems of commerce and industry but also with questions relating to postwar economic reconstruction. The Committee submit below their observations on some of the important points arising out of the Commerce Member's speech.

At the outset the Committee would like to make a few general remarks on the speech. While the Commerce Member made an interesting survey of India's industrial position, the Committee deplore that the tone of his speech was not such as to encourage Indian industries. As Member-in-charge of Commerce and Industry, the commercial community and the Indian public expected a more constructive and helpful utterance from Sir Ramaswami, with his intimate knowledge of Government requirements and of the general survey of the present industrial position carried out in connection with the Eastern Group Conference and by the Roger Mission. But the Committee regret that he utilised the occasion mainly to utter warnings and consequently the value of what few constructive suggestions he made in the course of the speech has been largely diminished by the unhelpful outlook pervading his whole speech.

The Commerce Member began his speech by sounding a note of warning against the demand for further industrialisation and the major part of his speech was, indeed, devoted to this. The main arguments advanced by Sir Ramaswami in this connection were that firstly, it was not a wise policy for a country to aim at economic self-sufficiency and to try "to produce every kind of manufactured goods that we can think of"; secondly, that while advancing a plea for industrialisation, we must pay due regard to the necessity of maintaining "a balanced adjustment between industries and agriculture" and thirdly that "there is a limit to the burden which can be imposed on the consumer" during normal times. The Committee would submit that neither of these apprehensions is justified by the present economic conditions in India nor are they warranted by facts. It needs no emphasis that India is as yet one of the industrially backward countries in spite of the fact that, except perhaps the United States of America, she is by nature the most suitable land for the development of industries. The present position is that while we export cotton, jute, wool, oilseeds, leather, hides and skins, metals and ores, tobacco, oil cakes, raw drugs and rubber etc., we are importing, on the other hand, all kinds of piecegoods, oils, boots and shoes, machinery and millwork, instruments, apparatus and appliances, manures, chemicals, drugs and medicines, paints, rubber goods etc., in large quantities. Besides, there are various other manufactured goods, for example, vehicles, paper and paste board, hardware, glass and glassware, stationery, toilet requisites, building and engineering materials, cutlery, haberdashery and millinery, clocks, watches and toys, umbrellas and fitting etc. which India imports in appreciable quantities from outside. Leaving aside for the time being the question whether economic self-sufficiency to a large extent is not an ideal worth pursuing, the Committee feel that to interpret the demand for a more rapid industrialisation of the country as a plea for extreme economic self-sufficiency is hardly fair under the present circumstances.

As regards the Commerce Member's argument about a balanced adjustment between agriculture and industry, the Committee would point out that it is precisely on this ground that the Indian commercial community and the Indian public have been laying stress upon the necessity of a more rapid advance in industrialisation. While there is no doubt that in the evolution of India's economy, agriculture must occupy a place of the greatest importance and that there is considerable scope for improve-

ment on the agricultural side, the emphasis on industrialisation is not laid with a view to underestimate the importance of agriculture but to apply a much-needed corrective to the present lop-sided nature of India's economy. In fact, it is apparent that without the development of industries in a proper manner, there cannot be adequate development of agricultural production also. Improvement in agriculture would require considerable quantities of chemical manures and also implements. Distribution of electric power throughout the length and breadth of the country is also an essential pre-requisite of rural development. Diversification of economic pursuits and alternative means of employment tend to act as safeguards for the agriculturist and there cannot be a properly balanced adjustment between agriculture and industry without such development. The undesirability of the dependence of the Indian agriculturist on outside markets to the present extent has been clearly brought out as a result of the war and as the Commerce Member has himself admitted in his speech, the situation has been saved from worsening by the spurt given to the utilisation of India's raw commodities within the country itself as a result of the distribution of the war supply orders. Whereas, on the one hand, the Indian agriculturist is dependent to a large extent on foreign markets, the industrial structure of India, apart from the absence of many major industries in the country, is so ill-balanced and poorly developed that "there are gaps of various kinds" so that "while industrial expansion can take place on a large scale, there are small and little things which we cannot provide for and which hold up industrial expansion of very large manufactures." If such is the case, as pointed out by the Commerce Member himself, the Committee are unable to appreciate why he found it necessary to utter a note of warning against further industrial development.

The Committee must state that the Commerce Member has in this respect also presented the demand for the development of industries in a somewhat extreme setting and has then criticised it as undesirable in the interests of the country as also not possible of achievement. The plea for industrialisation is not a plea for the stopping of all imports and achieving what the Commerce Member has characterised as "a one way traffic in trade and commerce". But, on the other hand, the Committee do not also agree that the maintenance of the present import trade of India, whether wanted or unwanted, should be advanced as an argument against further industrialisation. It is obvious that although, with the



development of manufacturing activities within the country, the imports of particular articles may diminish or cease, industrialisation is bound to give impetus to the import trade in various other ways. Apart from the fact that for a considerable time to come, India will have to import capital goods required for industries, industrialisation is also sure to result in an alround enhancement of the standard of living of the people of the country. It is an admitted fact that the present standard of living in this country is far below the standard obtaining in other industrially advanced countries and there is an immense scope for increase in the consumption of goods. The Committee have, therefore, no doubt that although industrialisation might result in an appreciable change in the character and composition of the import trade, there can be no apprehension of its leading to a situation when trade and commerce may be reduced to one-way traffic as presumed by the Commerce Member. This is borne out by the fact that although since the last European War of 1914-18 India has developed some important industries like textiles, iron and steel, cement, sugar and paper, the import trade of the country has not only not diminished but has continued at the same level inspite of the industrial advance. Thus, the average annual value of imports of private merchandise into India during both the periods 1911-12 to 1915-16 and 1935-36 to 1939-40 was Rs. 150 crores. Indeed, a glance at the import figures of the last 30 years would show that, except for the period of boom in prices following the termination of the last European War, the value of the annual imports into India has not shown any appreciable change. It may also be pointed out that when considering the question of India's imports we need not confine our attention only to merchandise figures. There are at least two other items namely the large import in the shape of services, past and present and the import of treasure, which should be taken into account. India is almost the only country where gold and silver have other than a monetary use and value and with the restoration of agricultural conditions to normal, there is no doubt that India will again start importing bullion to a considerable extent.

Another argument advanced by the Hon'ble the Commerce Member against "high industrial expansion" in peace conditions relates to the "consumer's burden". This is an old argument against industrial expansion and protection which has been effectively answered on many occasions. The argument about consumer's burden is put forward on the basis of a simple calculation of

multiplying the import duty levied on the protected article with the quantity of goods produced within the country as a result of the grant of protection. The Committee desire to emphasise that this is a misleading conclusion. A simple calculation of that kind does not, in any event, denote the burden on the consumer. The correct perspective to view the result of protection would be to see how much the country as a whole has benefitted as a result of the establishment of a particular industry in the country. The Committee may point out that apart from the great saving made by the country by the cessation or diminution of foreign imports of the article concerned, as a result of the development of indigenous manufacture, the country as a whole gains in various other ways as, for example, by increased employment both to skilled and unskilled workers, increased returns to transport services, development of subsidiary trades and industries and general rise in the standard of living. It will be seen that the development of the cotton, sugar, iron and steel and paper industries as a result of protection has alone saved the country an annual drain of about Rs. 100 crores apart from benefitting the country in various other ways as pointed out above.

Another fallacy in the argument about consumer's burden is that it is presupposed that if protection had not existed, the consumer would have obtained the goods in question from foreign countries at a lower price. This is indeed contrary to facts and is against business experience. It is obvious that whereas the foreign manufacturer is not interested in reducing prices in his market in the absence of any competition, the establishment of indigenous industries tends to bring down such prices. In the case of cotton textiles, for example, whereas the prices of certain standard categories in the year 1926 were Rs. 1-0-5, 0-15-5 and 1-0-5 per lb, they showed a continuous decline ever since the grant of protection in 1927, and the prices ruling in 1939 just before the outbreak of the present war of the same varieties were about Rs. 0-9-0, 0-8-6 and 0-9-6 respectively. In the case of sugar also, the grant of protection did not mean any increased burden on the consumer but, on the contrary, whereas the prices in 1930 ruled at about Rs. 10 per maund, the present prices are only about Rs. 9-0-0. As a matter of fact, sugar was sold at one time after the grant of protection at almost half the pre-protection price. It may be pointed out that during the last war, when the modern cane sugar industry was practically non-existent in India, the prices of imported sugar went upto as much as Rs 40 to

Rs. 50 per maund, while during the present emergency not only has the country been saved from considerable inconvenience which it would otherwise have suffered for want of adequate supplies of an essential consumption article like sugar, but it has been able to get sugar at a price even lower than the immediate pre-war level.

It is obvious that the argument about consumer's burden is more or less a myth. Moreover, in a country like India where a large majority of the population depends upon agriculture, the consumer, who is none other than the agriculturist, gets a direct share of prosperity out of industrial development. The Committee need only mention the Indian cotton and sugarcane grower. The fact that there has been a large increase in the cultivation of these crops proves beyond doubt that the agriculturist has been considerably benefitted as a result of the development of home market for these cash crops. Indeed, industrialisation benefits the country in so many diverse ways that although the effect on the increase in the country's prosperity may not be apparent, it is none-the-less real. It is only by the establishment of domestic manufacture for such essential requirements as cloth, sugar, cement, steel, paper etc. that the outbreak of the present war has found us in a better position than in 1914. As the Commerce Member himself recognised, it is only the result of industrial progress which India has made during the last two decades under the policy of discriminating protection that India has been able to make substantial contribution towards the equipment of the armies operating in the various theatres of war and also to indirectly help Britain by relieving considerable shipping tonnage which she would otherwise have required for the carriage of her essential requirements from abroad. An industrially backward India would surely be a drag on the Empire rather than an asset.

The Commerce Member has further tried to discourage industrialisation on the ground that while during the war India may be required to meet demands for manufactured articles, with the restoration of peace, if we are to exist in collaboration with other nations, we must be prepared to accept an adjustment whereby we would revert to the pre-war position of being mainly an exporter of raw commodities and importer of manufactured articles. The Committee would like to point out that the state of affairs after the present war is bound to be considerably different from conditions prevailing before the war. The Committee realise that "when peace is declared, the starving millions of

Europe" may require food and clothing but they are unable to appreciate why these 'starving millions' will find it necessary to get most of our exportable raw products which are mainly not consumption articles but commercial crops. A perusal of India's pre-war export trade would show that the main items of our normal export trade consist of raw jute, raw cotton, tea, seeds, grains, pulses and flour, hides and skins and tobacco etc. The first two have, in fact, been the main items of our export trade and the Committee do not see how "the starving millions of Europe" would be able to ward off starvation by importing our raw jute or raw cotton or our seeds or hides and skins. As regards food crops and articles, whereas India should be too willing, if she can, to help straving Europe, it must be borne in mind that all the wheat and rice and other grains and cereals which India produces, are required by her, and even more, if her own population is to be adequately fed.

The Commerce Member has laid particular emphasis on the fact that "inspite of the industrialisation that we may be capable of, we may have surplus agricultural products for which we have to find markets abroad", and that it "is an essential proposition" which should not be lost sight of. As the Committee have already stated above, they do not visualise that further industrialisation would lead to the cessation or choking up of our foreign trade, either in respect of exports or imports. The very process of industrialisation is bound to release the large potential purchasing power of the people and also increase production, both industrial and agricultural, thus giving a fillip to our import and export trade. The Committee have already made it clear how they visualise the import trade position after more developed industrialisation of the country. As regards export trade, they would like to mention that many of our exportable commodities are of monopoly or semi-monopoly character and hence must find a place in the world market. Besides, India might also develop useful avenues of export trade in manufactured articles. The outbreak of the war has shown that, apart from the large home market which India possesses and which would help in the utilisation of our raw commodities to a considerable extent, Indian manufactures have a large potential market in the neighbouring countries particularly those bordering on the Indian Ocean, namely South and East Africa, countries of the Persian Gulf, Ceylon and countries on the Eastern side. In any case, the Committee feel that India need not be anxious to solicit an export trade at the price of an unnecessary

and unwanted, and even harmful, import trade. They have no doubt that the import and export position will adjust itself with further industrialisation in the country as it has done hitherto.

Considering all these factors and also having due regard to the natural advantages which the country possesses and the vast scope that exists for expansion of industry, and also considering the present lop-sided nature of Indian economy, the Committee are strongly of the opinion that the Commerce Member's warning against emphasis on industrialisation is not only premature but is also likely to be detrimentally used against the interests of the country.

The Committee regret to note that while referring to the Fiscal Commission's Report and recommendations, the Hon'ble the Commerce Member has done serious injustice to the commercial community by stating that so far he has not come across any constructive suggestion from them except that the present "dilatory machinery of the Tariff Board" should be made "more quick". It may, however, be pointed out that the Indian commercial community has repeatedly urged that the triple formula devised by the Fiscal Commission for judging the suitability of a particular industry for protection has outlived its purpose and should be radically altered. The Committee are aware that the Hon'ble the Commerce Member has announced his readiness to consider the relaxation of some of the conditions during war time for the grant of protection to industries which are "necessary either for war purposes or to fill the essential gaps created for the civil industries or civil requirements." But what they would like to impress upon the Government is the fact that the threefold conditions required to be fulfilled for receiving help in the shape of protection from State are so rigid as to prevent deserving industries from securing initial assistance. Dr. John Matthai who has had close insight into the practical working of the Tariff Board has also recently urged upon the Government the necessity of relaxing these conditions and of putting a more liberal interpretation upon them. The Committee, therefore, strongly urge the Government to revise the formula for the grant of protection with a view to give more adequate help, particularly in the initial stages when such help is more essential, to the industries seeking Government's assistance.

The Commerce Member has also envisaged in this connection the setting up of a machinery to keep watch "on the protected industries during the course of the period of protection." While the Committee are not in a position to express their

opinion more fully on this point in the absence of details of the proposed machinery, they would take this opportunity to point out to the danger of frequent interferences with the quantum of protection. The one essential condition of the success of protective policy is the guarantee of continued protection over a number of years and the Committee are of the opinion that if the policy of protection is to succeed it is essential that this sense of security should not be disturbed till production reaches a normal level and is able to meet the normal requirements of the population.

The Committee are surprised at the advice tendered by the Hon'ble the Commerce Member to Indian industrialists and commercial concerns not to "fritter away their resources at the present time" and to conserve a substantial share of their war profits as a reserve to help them to tide over the postwar difficulties. He has further warned them that if they do not do so, they should not expect any sympathy from the Government during the post-war slump. The Committee may point out that industrialists are themselves conscious of the fact that they will have to face a period of slump and considerable difficulty in the immediate post-war years. In fact, it was this realisation on their part which led them to object strongly to the imposition of heavy taxation on their present profits. The heavy additional taxation, both direct and indirect, imposed since the war, such as the Excess Profits Tax, increase in income and super taxes, in railway freights and fares, in postal and telephone rates etc. virtually drains away a very substantial part of the profits from the private entrepreneurs and hardly leaves them any funds with which to build the much-needed reserves for the purposes mentioned by the Hon'ble the Commerce Member. It is, indeed, an irony that whereas the Finance Member to the Government of India considers it expedient to meet the increased requirements of funds due to war by current taxation as far as possible, the Commerce Member issues a warning to industrialists to conserve their resources. The Committee strongly feel that instead of addressing his appeal to the Indian commercial community, the Commerce Member should have prevailed upon his colleague, the Finance Member, to modify his policy of imposing heavy taxation with a view to enable Indian industries to achieve the objective which the Commerce Member has in view.

Before concluding, the Committee would like to refer to the *obiter dictum* of the Commerce Member regarding his definition of

‘foreign’ companies and to the evasive reply he gave on the question of the development of industries in India through foreign capital. The Commerce Member defined the word “foreign” as something which is “foreign to the British Commonwealth of Nations.” It is no doubt true that, under the special safeguards contained in the Government of India Act, 1935, British citizens are required to be treated on the same footing as bonafied Indian nationals and that discrimination against British interests is ruled out, but the Committee would like to emphasise that these commercial safeguards have been entirely unacceptable not only to the Indian commercial community but to all influential sections of the public in this country. The Committee wish to record their strong belief, which is shared by all responsible opinion in the country, that India’s economic advance would be difficult of achievement unless Indian interests are given preference in their own country and until the rigid and unprecedented provisions regarding commercial safeguards are rendered ineffective. The Committee, therefore, deplore the remarks of the Commerce Member which, on the contrary, constitute a more rigid interpretation of the commercial safeguards. As long ago as 1916, the then Member for Commerce and Industry, the Hon’ble Sir William Clarke, himself a non-Indian, while accepting the resolution urging the adoption of a policy of the development of Indian industries, observed that “the building up of industries where the capital, control and management should be in the hands of Indians, was the special object which we all have in view”. Sir William strongly deprecated the taking of any steps “if it might merely mean that the manufacturer who now competes with you from a distance would transfer his activities to India and compete with you within your boundaries.” It is most unfortunate that Sir Ramaswami has now tried to give an interpretation to the word “foreign” which would subject Indian industries to such competition with impunity. Surely, the importation of foreign industries in place of importation of foreign goods is in no way to be preferred.

In this connection, Sir Ramaswami contended that since industries are a Provincial subject under the present Government of India Act, it is for the Provincial Governments to decide whether to allow the development of industries by foreign capital or not. In other words, the Government of India, according to him, could not usurp the functions of the Provincial Government in assuming responsibility for the planned development of industries. Here again the Commerce Member has taken a too rigid

view of the provisions of the Government of India Act. It is no use Sir Ramaswami pointing out to the Government of India Act to say that the development of industries is a Provincial responsibility when the main instruments of policy which can advance such development are all controlled by the Central Government. It is unfair to throw the responsibility for the development of industries on Provincial Governments while denying them the power to do so. For, even with the best of intentions, the Provincial Governments cannot possibly do anything effective for the development of industries in the absence of sufficient resources and without a voice in the determination of all-India policy regarding currency, tariffs, railways etc. It cannot be denied that the development of industries is a matter of national importance and whatever the strict legal interpretation of the constitution may be, the Government of India cannot divest themselves of, and evade or avoid, their responsibility in the matter. Under the conditions obtaining at present, the development of industries must necessarily remain the basic responsibility of the Central Government. The committee still hope that the Government of India will, instead of adopting an indifferent, or at best a lukewarm, attitude towards the important question of industrial development, formulate a comprehensive and vigorous policy in regard to the development of national industries.

*Calcutta.*

*Dated 28th. April 1941.*

Yours faithfully,

**S. R. Dhadda,**

*Secretary.*

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